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Social norms and (de-)financialization: Japan's and China's divergent paths in consumer credit

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ABSTRACT

Since the 1980s, American-led financialization promoting capital and labour mobility has influenced Asia, but the Japanese and Chinese trajectories in financialization of consumption (consumer credit development) have diverged, with the 1995–2013 contraction in Japan contrasting with the skyrocketing growth in China since 2010. I argue the divergence can be attributed to the varying levels of compatibility between American financial norms and their social norms, the different timings of their integration into the global economy (the influence of 'embedded liberalism' or neoliberalism), and the interests of key actors of each country. Anti-liberal Japanese elites reversed the financialization of consumption to preserve anti-capitalistic 'industrious norms' and strong attachments to intermediary organisations, which are the cornerstones of their dominance. In contrast, economic rationalism embedded in Chinese society since late imperial China, when capital and labour mobility was enhanced by removing fixed intermediary organisations considerably under autocracy, has facilitated China's financialization of consumption.

KEYWORDS

Financialization; consumer credit; social norms; industrious revolution; Japan; China

Introduction

Financialization, which is defined as 'the increasing role of financial motives, financial markets, financial actors and financial institutions in the operation of the domestic and international economies' (Epstein, 2005, p. 3), is usually regarded as an Anglo-American affair. Nevertheless, there have been attempts to consider other forms of financialization that do not simply follow the Anglo-American 'model' (e.g. Gruin, 2019b; Petry, 2020; Rethel & Thurbon, 2020; Robinson, 2017). These tend to emphasise the importance of government intervention in enhancing the role of financial markets in the domestic economy. This paper is a contribution to this expansion of the concept, specifically financialization of consumption, by considering two Asian approaches. It argues that to understand how Japanese and Chinese (de-)financialization of consumption have evolved and why they have evolved in different ways, we need to understand the significance of how

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social norms (i.e. informal rules about how to behave in a group or society) have influenced the evolution of two different types of capitalism.

Widely distributed consumer credit in a society is a hallmark of financialization (Langley, 2008). Outstanding non-mortgage consumer credit in China skyrocketed by 20-fold from 2007 to 2018, while the amount in Japan halved from 1995 to 2013, although it recovered to some extent subsequently (Figure 1). Despite the fact that it still depends on investment-led growth, China's rapid consumer credit growth (financialization of consumption) indicates its vibrant capitalism and consumption-driven growth policy led by the Chinese Communist Party (CCP). In contrast, Japan's de-financialization of consumption reveals its anti-capitalistic social norms epitomised by private-sector companies' provision of social security measures, for instance, keeping redundant regular workers inside their organisations and/or shifting them to other divisions and businesses (Matsumoto, 2011, p. 224). My key argument is that anti-capitalistic 'industrious norms' (internalised work ethic, respect for labour and a negative view of financial profit) and 'systemic support' have made Japanese society conflictual with financialization, whereas economic rationalism (belief in the efficiency of market economies) embedded in Chinese society has facilitated it, and their divergent social norms are interrelated with the different timings of their integration into the global economy (the influence of 'embedded liberalism' or neoliberalism) and the interests of key actors of each country. I conducted 32 interviews for this research in Tokyo and Shanghai from 2015 to 2019. My statistical sources for Japanese and Chinese consumer credit include the Japan Consumer Credit Association and the People's Bank of China. Before discussing the key concepts, let me briefly overview the Japanese and Chinese consumer credit markets (Figure 1).

Outstanding Japanese consumer credit nearly quadrupled from 1982 to 1995, when it peaked, but bank loans for consumers were reduced due to the burst of the asset bubble in the early 1990s and the financial crisis from 1995 onwards. In contrast, non-bank consumer credit (mainly provided by consumer lenders) soared from 1995 until 2005 due to the 1996 Japanese 'Big Bang' financial deregulation and the growing influence of

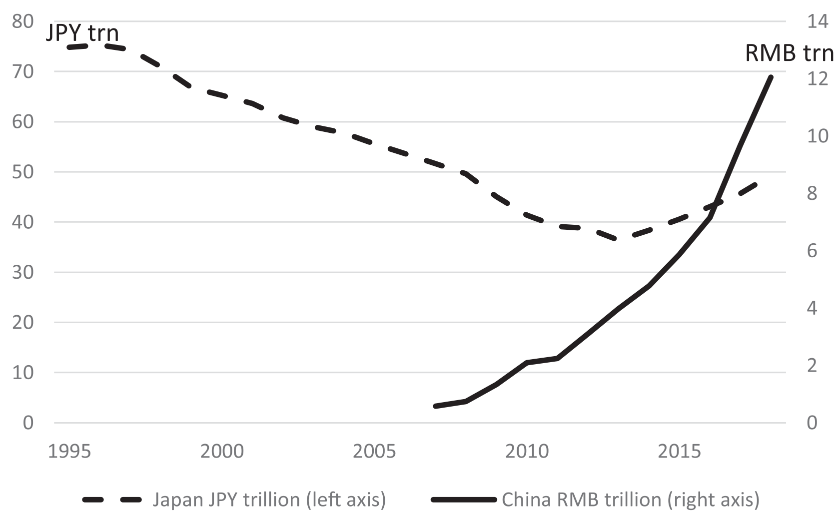

Figure 1. Historical Outstanding Amounts of Chinese and Japanese Consumer Credit. Sources: The Japan Consumer Credit Association, The People's Bank of China.

neoliberal thought in Japan. However, the revised Money Lending Law, which was enacted in December 2006 to protect consumers from excessive profit-making by consumer lenders, destroyed the consumer lending industry. Outstanding non-bank consumer credit plummeted from 2005 to 2013 despite some subsequent recovery due to steady growth in credit card shopping and shopping credit.

In China, the expansion of consumer loans began in 1998 to mitigate the negative influence of the Asian financial crisis and stimulate domestic demand. The Chinese Communist Party (CCP) has actively promoted the growth of consumer credit with a shift from export-led to domestic demand-led growth. In 2009, the China Banking Regulatory Commission (CBRC) issued the Pilot Programme of Consumer Finance Companies and a pilot project of specialised consumer finance companies. Furthermore, the proliferation of e-commerce and online financing, promoted by Chinese IT giants (e.g. Alibaba Group, Tencent, Baidu, JD.com), alongside the rise of financial technology (fintech), including big data analytics, has also contributed to consumer credit growth. In 2018, China's ratio of consumer credit to the GDP (13.2%) exceeded that of Japan (9.0%) but fell short of the US ratio (19.6%).

Industrious norms were developed in the early modern Japanese agrarian village, and contemporary Japan has inherited these anti-capitalistic norms. Furthermore, systemic support has maintained the solidarity within and between Japanese intermediary organisations (e.g. village, company). Although the original, narrow definition of systemic support is government and bank support for financially strained financial institutions and companies, its broadened definition incorporates dominant elites/superiors' support and protection of subordinates in exchange for the latter's loyalty and obedience (Gotoh & Sinclair, 2017). In contrast, the market-oriented economy of late imperial China (1368–1912) was dominated by the emperor and landlords, and feudal production relations between landlords and peasants can be regarded as the 'embryo of capitalism' (Jing & Luo, 1978, p. 218). The weakness of systemic support in the Chinese village and the power of landlords hampered the formation of anti-capitalistic industrious norms, and the '(economic) rationalism underpinning the process of market-formation and state-building in imperial China' has long been embedded in Chinese society (Gruin, 2019a, p. 42).

Furthermore, the different timings of Japan and China's integration into the global economy and the interests of key actors of each country have also affected their consumer credit development trajectories. The period of a county's integration into the global economy is critical because it is influenced by the institutions of the hegemonic power of the time. Japan was influenced by the US 'embedded liberalism' when it was reintegrated into the global economy during the 1950s. Embedded liberalism and Japan's strategic importance for the US during the Cold War tolerated Japan's economic interventionism and consolidated the power of anti-liberal elites including conservative politicians of the ruling Liberal Democratic Party (LDP), interventionist bureaucrats and bureaucratic corporate executives of big businesses. However, their interests have been conflicting with enhanced international capital mobility over the last three decades. In contrast, China integrated into the global economy during the 1990s, when US neoliberalism and its institutions affected China's institutional formation. The Chinese economy had stagnated during the Cultural Revolution (1966–76), and this stagnation spurred the CCP's impulse to turn to neoliberal solutions (Harvey, 2005; Weber, 2018). International organisations, including the World Trading Organization (WTO) and the International

Monetary Fund (IMF), also encouraged China to conduct neoliberal reforms, but America's influence on China was much less direct and intrusive than it was on Japan, which was occupied by US forces from August 1945 until April 1952. China attracted massive foreign direct investment inflows, which, along with soaring exports, contributed to rapid economic growth from the 1990s until the mid-2000s. China has adapted more easily to enhanced international capital mobility than Japan. Although the CCP has retained capital controls, their main purpose is to redistribute income from Chinese workers (depositors) to the corporate sector via financial repression (Vermeiren & Dierckx, 2012).

I begin by examining the financialization of consumption spreading from the US to other regions and subsequently explore Japan's and China's divergent trajectories in financialization of consumption. I then discuss the 'industrious revolution' in early modern Japan and economic rationalism in late imperial China and their influences on contemporary Japanese and Chinese social norms. Finally, I elucidate the reasons for the divergent trajectories, namely the different social norms, the interests of key actors of each country, and the different timings of their integration into the global economy.

Financialization and consumer credit

Financialization started with the American economy (Krippner, 2005) and has expanded into other economies through financial globalization, which can be described as the growing influence of Anglo-American neoliberal norms and financial practices. Although the literature on financialization mainly focussed on the supremacy of shareholder value as a mode of corporate governance, enhanced international capital mobility, the increasing dominance of capital market-based financial institutions, and growing economic inequality until the first half of the 2000s (e.g. Brenner, 2002; Dore, 2000; Froud et al., 2000), it later expanded into the Anglo-American consumer credit industry (e.g. Gonzalez, 2015; Langley, 2008 and 2013; Montgomerie, 2006; Rona-Tas & Guseva, 2018).

Non-mortgage consumer credit (including consumer finance, auto loans, sales credit and credit card cash advances)[1] in the US began growing with the rise of mass production and consumption during the 1920s. It expanded rapidly under Fordism from the late 1940s until the early 1970s, when oil shocks and the breakdown of the Bretton Woods system occurred. Fordism was linked to US socio-economic transformation (Montgomerie, 2006). The proportion of US consumer credit to GDP soared from 3.3% to 12.2% between 1945 and 1970. During this period, capital mobility (capitalist power) was constrained by a compromise among labour, government and capitalists in industrialised countries intended to restrict the influence of communism on labour. However, during the 1970s and 1980s, the rise of neoliberalism dramatically changed the US economic landscape. Harvey (2005, p. 66) contends neoliberalism advocates for free capital mobility between sectors, regions, and countries, which suggests capitalist dominance (ibid.: 38). Financialization in the US began in the corporate sector and expanded from there into the household (consumer) sector. Higher capital mobility in the US and other English-speaking countries resulted in the ascendancy of capitalist values (shareholder capitalism), privatisation, sharp increases in mergers and acquisitions (M&A), including leveraged buyouts, financial disintermediation, and securitisation. Shareholder capitalism prioritises market efficiency and shareholder returns over social stability and the benefits of other stakeholders, such as employees, suppliers, and broader society, moving capital quickly to obtain a higher return on investment. Shareholder capitalism pursues economies of scale through M&A, uses higher financial leverage (a larger amount of debt to acquire additional assets) to enhance shareholder value and seeks efficient financing using capital markets.

In the 1980s and 1990s, US commercial banks witnessed corporate finance for big business shifting to capital markets and expanded retail finance for consumers and small and medium-sized enterprises (SMEs). Major commercial banks such as Bank of America, JPMorgan Chase and Citibank have dominated the credit card market, while the use of information technology has enabled cost-efficient retail transactions (Litan & Rauch, 1998). The federal government providing student loans is also a major consumer credit provider, and the contribution of non-banks, including auto finance companies, has decreased since the global financial crisis. Commercial banks, the government and non-banks accounted for 42.2%, 30.9% and 13.3% of outstanding US consumer credit, respectively, in 2018. The proportion of outstanding US consumer credit to the GDP further increased to 19.6% in 2018, which indicates the financialization of not only consumption but also education. Student loan problems have recently attracted public attention in Japan and China, but the size of student loans in these countries is much smaller than in the US.

American-style financialization and its socio-economic model have been disseminated to other countries but unevenly. The convergence can be witnessed in the Anglosphere, which comprises culturally close countries with liberal market economies (LMEs) and generally high proportions of consumer debt to GDP. In contrast, for coordinated market economies (CMEs) such as France, Germany and Japan, the proportions are lower than those of LMEs. However, American-style consumerism and financial practices have been promoted in East Asia, which is culturally different from the Anglosphere, by multinational corporations and financial institutions seeking to expand global footprints and local companies and financial institutions imitating Anglo-American business models. Urbanisation and housing booms have boosted consumer spending as well. Furthermore, people from East Asia studying and working in the Anglosphere have distributed neoliberal thought and business practices in their home countries.

The literature on the 'financialization of daily life' in the US (e.g. Martin, 2002) demonstrates the connection between social norms/cultures and financialization. Dal Maso (2020) elucidates how the stock market rise in China is connected to the everyday dimension of Chinese financialization, while Dore (2000) delineates the Japanese view of financialization. Dore (2000, p. 8) points out the Japanese regard 'productivism' (a culture geared to serving one's fellow-citizens by providing goods and services) is ethically superior to financialization (in his words, 'a culture of "mere" self-enrichment unlinked to any concern with the service or disservice one might be doing to one's fellow-citizens in the process'). Japanese-style productivism requires both capital and labour for long-term commitment to specific organisations, and in Japan, this collectivist mindset militates against an individualist mindset of financialization aiming for the maximisation of short-term financial profit through high mobility of capital and labour (i.e. capitalist dominance and labour casualisation). Dore (ibid.) claims productivism is one of Japan's Confucian legacies, but if so, do the Chinese also have productivism? I argue productivism, closely intertwined with industrious norms, also stemmed from the industrious revolution although Japanese elites utilised Confucianism as a tool to promote both productivism and industrious norms.

Japan's (de-)financialization of consumption

To analyse its financialization and subsequent de-financialization of consumption, the characteristics of the postwar Japanese system must first be examined. The '1940 system' developed for total war have remained in Japanese society to date, and they can be witnessed in the bureaucratic intervention, the bank-centered financial system, the Japanese-style corporate system, in which both systemic support and in-group favouritism are deeply embedded, and the prioritisation of producer over consumer interests (Noguchi, 2010). Japanese banks can be regarded as de facto a half-public and half-private extension of the economic bureaucracy – Japanese bankers are anti-liberal elites rather than capitalists unlike their Anglo-American counterparts (Gotoh, 2019). During the Cold War, systemic support bonding long-termist corporate management, committed labour and patient capital together, along with the hegemonic support from the US (e.g. the US accommodative trade policy and dollar-yen exchange rate favourable for Japanese exporters and generous technology transfer), significantly contributed to Japan's sharp economic growth. At that time, Japan's banking sector prioritised corporate finance over consumer finance, although the household sector was the largest source of fundraising.

In 1954, two interest rate laws governing money lending were implemented in Japan: the Capital Subscription Law (CSL) and the Interest Rate Restriction Law (IRRL). The former stipulated any lending with interest rates above 109.5% constituted a crime. For non-bank credit lenders, the latter placed interest rate caps of 15–20% according to the size of loans. The two laws created a gap between interest rate limits (i.e. 'grey zone interest rates'). However, criticism of non-bank consumer lenders for excessive lending, excessively high interest rates and severe debt collection measures intensified in the late 1970s. This resulted in the Money Lending Control Law (MLCL) of 1983, which gradually lowered the cap imposed by the CSL to 29.2% by 2000. One of the MLCL's conditions for money lenders (e.g. consumer lenders, credit card, shopping credit and leasing companies) to receive grey zone interest rates was that borrowers paid such interest rates 'voluntarily'.

The total outstanding amount of consumer credit expanded from ¥20.3 trillion in 1982 to the historical peak of ¥74.8 trillion in 1995. In the 1980s, due to Japan's lowered strategic importance for the US and the rise of neoliberalism, the US no longer tolerated Japan's interventionism and tried to pry open its financial market. Financial deregulation and diminished net interest margins for corporate loans, along with the housing/asset bubble from 1985 to 1991, pushed the banking sector to increase consumer loans dramatically. The banking sector accounted for 61.6% of the consumer credit outstanding in 1995. Between 1982 and 1995, the proportion of outstanding consumer credit to the GDP soared from 6.6% to 14.5%, which was close to the proportion in the US (14.9%). These 13 years can be viewed as the financialization of consumption in Japan. However, because the asset bubble boosted this financialization, it was unsustainable. After the asset bubble burst from 1991 to 1993, the banking sector's outstanding consumer credit plummeted from ¥46.1 trillion in 1995 to ¥24.1 trillion in 2005. Consequently, overall outstanding consumer credit and the proportion to the GDP plunged to ¥55.5 trillion and 10.5%, respectively, in 2005.

However, the decrease in overall outstanding consumer credit from 1995 to 2005 was not as sharp as that in bank consumer lending. Non-banks[2] such as consumer lenders and, to a lesser extent, credit card companies rapidly increased consumer credit in the same period. The rapid non-bank consumer credit expansion was driven by the 1996 Japanese Big Bang financial deregulation. The outstanding credit of consumer lenders soared from ¥5.2 trillion in 1995 to ¥9.9 trillion in 2005. Consumer lenders providing loans mainly for non-prime borrowers were less-regulated non-establishments that existed outside typical Japanese social relations underpinned by systemic support (Gotoh, 2019). Japanese society traditionally regards personal borrowing as shameful and views lending money and exploiting borrowers' weakness as despicable conduct.[3] Consumer lenders remained social outcasts, although they grew sharply after the asset bubble burst. This rapid growth stemmed from the economic slowdown and increase in low-income workers; technological development enabling consumers' easy access to credit, such as unstaffed automatic loan-dispenser booths; the significant expansion of TV advertising campaigns for consumer loans; the Japanese Big Bang, which enabled non-banks to tap the capital markets; and excessive cash in banks, which increased loans to consumer lenders (Kozuka & Nottage, 2007, pp. 12–3). Large lenders provided additional loans for borrowers up to their credit ceilings and introduced distressed borrowers to smaller lenders who imposed higher interest rates to enable them to repay the original debts, which was called the 'sweat box' business model of consumer lending (ibid.: 13). The model worked in Japan, primarily because bankruptcy is a serious social stigma.

The non-bank consumer credit expansion cooccurred with the rise of neoliberals, including reformist politicians and bureaucrats, entrepreneurs, neoclassical economists and businesspeople of foreign firms, and the decline of traditional anti-liberal elites such as conservative politicians, interventionist bureaucrats, legal elites, bureaucratic corporate executives and local bankers. Thanks to the expansion of non-prime consumer credit, the founders of the big-four consumer lenders (Takefuji, Acom, Promise and Aiful) ranked among the wealthiest Japanese entrepreneurs in the early 2000s. However, there was a sharply rising public concern about millions of struggling borrowers, the severe debt collection measures utilised by consumer lenders, and the associated suicides of borrowers and their families. The lucrative consumer lending market in Japan attracted foreign capital, including Citigroup and General Electric Capital, which acquired second-tier Japanese consumer lenders and formed CitiFinancial Japan (CFJ) and GE Consumer Finance (GECF), respectively. In 2005, CFJ and GECF were, respectively, the fifth and sixth largest consumer lenders in Japan. From the mid-1990s to the mid-2000s, Western financial institutions expanded their Japanese businesses, particularly in M&A, debt/derivatives trading, consumer credit, securitisation and wealth management, which illustrated some similarities with Anglo-American style financialization.

In early 2006, the Supreme Court struck a sudden death knell for booming consumer lenders. The court rulings effectively repudiated the validity of grey zone interest rates by denying the voluntary nature of borrowers' payments due to the existence of acceleration clauses in consumer lenders' loan documents and made consumer lenders liable for reimbursing excess interest charges from the past, as unjust enrichment. In December 2006, the amendments to the MLCL, which was renamed the Money Lending Law, and related laws passed the National Diet, despite opposition from consumer lenders and internal conflict within the LDP. This reform lowered the interest rate cap imposed by the CSL to a rate under that of the IRRL (i.e. abolishing grey zone interest rates). The retrospective application of the law to past debt was detrimental to consumer lenders, whose aggregated excess interest reimbursement reached ¥4 trillion, according to the weekly edition of Toyo Keizai for 26 June 2015. The reform also imposed an 'Aggregate Debt Control' that limited the aggregate amount of loans from consumer lenders to one-third of a borrower's gross annual income, which had a catastrophic impact on the consumer lending industry. The 2006 revised Money Lending Law accelerated the de-financialization of consumption in Japan. The Financial Services Agency (FSA) indicates the number of 'legal money lenders' (e.g. consumer lenders and credit card, shopping credit and leasing companies with money lending licenses) plummeted from 14,236 in 2005 to 2,113 in 2013, and the outstanding balance of aggregate money lenders for consumers also declined sharply from ¥20.9 trillion to ¥6.2 trillion during the same period. Due to the enormous excess interest reimbursement burden, Acom and Promise asked their main creditor banks for rescue and became their subsidiaries, while Aiful received the support from its creditor banks for debt restructuring. However, Takefuji filed for bankruptcy in September 2010 due to its lack of a strong relationship with creditor banks. In September 2008, General Electric Capital sold GECF to Shinsei Bank. Citigroup drastically shrank the assets of CFJ and withdrew from it in September 2010.

Japan's consumer credit reform was exceptionally radical, and neoliberals criticised the excessive government restriction of consumer lending, arguing it did not rescue economic losers but rather lowered market efficiency and stifled the economy (e.g. Kobayashi, 2009). However, Shigeo Takii, one of the Supreme Court judges who denied the validity of grey zone interest rates, commented it was unjust that many people had committed suicide due to extremely high interest rates while consumer lenders earned unprecedented profits (Suda, 2010, p. 106). Reform of the consumer lending industry within the LDP was led by Kaoru Yosano, minister of state for Economic and Fiscal Policy and Financial Services, and Masuzumi Gotoda, parliamentary secretary of the Cabinet Office. Yosano stated while the decision on whether the government should let distressed debtors borrow further or prevent them from borrowing was a matter of philosophy, he believed the government should prioritise the restriction of excessive lending over the negative effects of restricting the credit supply on the economy (Ide, 2007, pp. 105–6).

Yoshitake Masuhara (2012), a former Ministry of Finance (MOF) official and LDP politician, criticised this view as patronising and disrespectful of the public. He stated Japanese politicians are excessively eager to protect the socially vulnerable (e.g. the poor, the elderly) to obtain votes, creating market inefficiencies and vested interests, while vulnerable people lose self-help measures and efforts.[4] Conversely, Gotoda stated consumer lending industry reform was associated with the question of what kind of country Japan should be, and the safety of households should be the foundation of economic growth, which was well-received by the media (Ide, 2007, p. 135). The FSA supported drastic reforms, partly because of its belief that consumer lending should be covered mainly by banks (ibid.: 77–8). This reform exemplifies Japanese anti-liberal elites' tendency to prioritise social stability and protection over the market efficiencies and self-help advocated by Anglo-American style capitalism. I contend the bankruptcies of numerous consumer lenders can be ascribed to Japanese society's backlash to neoliberal norms and financialization along with systemic support for financially distressed consumers. Furthermore, although the most effective way to rescue distressed debtors is to relieve them of the fear of bankruptcy as a social stigma, along with providing financial education, this is likely the last thing Japanese anti-liberal elites want, as they apprehend frequent bankruptcies as indicative of the deterioration of social morality.

Due to the revised Money Lending Law, outstanding consumer credit dropped from ¥55.5 trillion in 2005 to ¥36.4 trillion in 2013. However, it recovered to ¥49.3 trillion in 2018, mainly thanks to the growth in both credit card shopping and shopping credit. The global financial crisis, which began in 2007, accelerated Japanese society's distrust of Anglo-American-style financialization, including the expansion of consumer credit and asset-backed securities (Sato, 2010). The annual origination amount of asset-backed securities plunged from the peak of 2006 (¥10 trillion) to the trough of 2010 (¥3 trillion). Most American and European financial institutions and credit rating agencies have drastically scaled back or withdrawn from their businesses in Japan due to the diminished financial business environment since the revised Money Lending Law and the global financial crisis. For instance, HSBC and Citigroup terminated their retail banking in Japan in June 2012 and November 2015, respectively.

Consumer credit growth in China

In contrast to Japan, the financialization of consumption in China is a recent phenomenon. There were three main impediments to China's non-mortgage consumer credit growth before 2010: the CCP's financial repression, the CCP's tolerance to aggressive private lending behaviour and the restricted labour mobility. Firstly, the financial repression allowed the state to extract domestic capital at a lower cost. The underlying rationale for this policy was prioritising demanders of funds (e.g. corporate borrowers) at the expense of providers of funds (e.g. depositors). In practice, this was achieved by capping the deposit interest rate below the expected inflation rate, resulting in a negative rate of return on deposits. Furthermore, state-owned banks (SOBs) preferred loans for state-owned enterprises (SOEs) over those for consumers and SMEs owing to the difficulty in assessing the latter's creditworthiness (Lin & Sun, 2006). This pushed consumers and SMEs into borrowing from local money lenders, which sometimes resulted in private loan disputes, including criminal offenses due to illegal and violent methods of loan collection.

Secondly, the CCP's tolerance towards aggressive private lending behaviour demonstrated weak systemic support for the socially vulnerable. In traditional Chinese society, private loans were regarded as an exploitation of the general public by local authorities and/or the wealthy. Under the CCP's rule, predatory private lending behaviour has continued in contemporary China. China's judicial law only considers monthly interest rates that are four times more than the average interest rate provided by banks as illegal private loan transactions. Consequently, most private loans are extended between family members and relatives, which has dampened the expansion of local money lenders.

Lastly, the restricted labour mobility from rural to urban areas discouraged mass consumption. The implementation of the *hukou* (household registration) system from 1958 restricted the freedom of movement for people and created a dual economy and society in China. Under this system, the migration of agricultural (rural) *hukou* holders to urban areas was tightly restricted because it could jeopardise agricultural production and cause overpopulation and political instability in urban areas. Regulations were relaxed for rural labour to work in cities from the mid-1980s and enabled China to become the 'world's factory'. However, this was at the expense of rural *hukou* holders in urban areas, who were denied access to public services, such as social housing, education, pensions and employment (Chan, 2009). The limited social security for rural *hukou* holders in urban areas, the drastic social security reform from the mid-1980s until the late 1990s and the restructuring of SOEs from the 1990s onwards demonstrated the weak/weakened systemic support for the socially vulnerable, invoking economic rationalism embedded in Chinese society.

China's investment and export-driven growth policy generated the dichotomy of rich urban and poor rural areas, a growing economic gap between rural and urban *hukou* holders, and intense trade friction (particularly with the US). Due to these issues, the CCP has aimed to shift to consumption-driven growth policy since the aftermath of the global financial crisis by deregulating and promoting the services sector, including retail and information technology, developing the consumer credit market and further relaxing the restriction on rural *hukou* holders' migration to urban areas. Such actions have mitigated the above impediments. China's shift to the consumption-driven growth model was demonstrated by Premier Wen's remarks at the 2009 World Economic Forum that the purpose of the RMB 4 trillion fiscal stimulus packages was to boost domestic consumer demand. Since then, SOBs have significantly expanded both consumer credit and loans for consumer credit companies. Consequently, China's consumer credit has soared, and its outstanding consumer credit more than quintupled, from RMB 2.1 trillion in 2010 to RMB 12.1 trillion in 2018.

The launch of the CBRC's Pilot Programme of Consumer Finance Companies in July 2009, the relaxation of the entry standards and operating restrictions in 2013, and President Xi's emphasis on 'financial inclusion' in the 2016 Plan for Promoting the Development of Financial Inclusion exemplify China's commitment to consumer credit market development. Building social control based on fintech is another incentive for the CCP to promote consumer credit growth alongside its consumption-led growth policy. For instance, the comprehensive social credit system announced in 2014 demonstrates the CCP's ambition to increase social and economic control via its financial inclusion agenda. The CCP can achieve this control by utilising the National Credit Information Sharing Platform (NCISP) to produce a credit scoring system. As Gruin (2019b) points out, NCISP has accumulated historical credit data from the People's Bank of China's (PBC, the central bank) Credit Reference Centre, transactions of rural customers with the Postal Savings Bank of China (with the largest branch network) and other information, such as the daily transactions of individuals (e.g. phone bills, tax payments, criminal records) drawn from the public sector. Given the depth and scale of this database, the credit scoring system can allow officials to rate the creditworthiness of individuals and enterprises, and, in turn, control their access to credit and consumption.[5]

Further urbanisation, development of China's shadow banking, and enhanced materialism and conspicuous consumption have also contributed to China's consumer credit growth. The proportion of urban residential population to total population in China hiked from 47.0% to 59.6% between 2008 and 2018, which boosted mass consumption through increased per capita income and shifted the industrial structure from manufacturing to services. However, the proportion of urban *hukou* holders to the total population remained 43.4% in 2018, which means around 30% of urban residents are rural *hukou* holders. Most of these rural *hukou* holders in urban areas have limited access to social security and earn much lower wages than urban *hukou* holders. The conversion of their *hukou* status from rural to urban would be very costly for provincial governments of urban areas and employers. Nevertheless, the maltreatment of rural *hukou* holders in urban areas as secondary citizens would slow down urbanisation and consumption-driven growth.

The PBC's monetary easing after the 2008 crisis led to the development of China's shadow banking by commercial banks. Shadow banking has contributed to its consumer credit growth, given it opened new investment opportunities for households. Retail investors accounted for 53% of aggregate wealth management product (WMP) funds through private banking and 36% of the total amount of collective investment trust products in 2016 (Ehlers et al., 2018). Entrusted loans and trust loans with commercial banks serving as middlemen and peer-to-peer (P2P) loans through online platforms (e.g. Ant Financial of Alibaba, Tencent, Baidu), which connect demanders and providers of funds, enabled private firms to acquire corporate finance directly from households (ibid.; Wang et al., 2015). SOBs take advantage of household investors insofar as increasing their willingness to purchase their WMPs by giving the false impression that these products are backed by banks and the state (Sun, 2019). The P2P lending industry not only has online lending platforms, through which money lenders can provide their services, but is also a hotbed for fraudulent lenders to extort money from investors. The CCP's weak investor protection against financial risks for household investors was evident. The government introduced regulations requiring WMPs to be listed as on-balance-sheet transactions only in 2018 although it recognised the potential systemic risk of these transactions.[6]

Importantly, a crucial domestic development is the rise of consumerism in Chinese society and people's increasing acceptance of the use of borrowing for their consumption. This change was exemplified by substantial increases in auto finance penetration in China, from roughly 20% to 40–50% between 2014 and 2018 (Deloitte, 2016; S&P Global Ratings, 2019). The increased willingness to utilise auto loans is most evident in rural households and can be regarded as a form of conspicuous consumption (Zhu & Xia, 2018). Liao and Wang (2017) emphasise success and happiness in China are judged by social evaluation rather than Western-style self-evaluation. They contend that 'in conventional Chinese society, pursuing material success and surpassing others in life and career are the highest forms of success. The people with the highest wealth and status often represent the ultimate goal of happiness' (ibid.: 3).

Social norms and 'industrious revolution'

The key factor for Japan's and China's trajectories in (de-)financialization of consumption is their diverging social norms, which, alongside their different entry points into the global economy and the interests of key actors of each country, has shaped consumer credit policies in the respective countries. Fukuyama (1995) identifies three broad paths to sociability based on family and kinship, intermediary organisations outside kinship and the state, claiming the Japanese rely heavily on the second path while the Chinese depend on the first and third paths, which reveal their divergent social norms.

I contend Japanese and Chinese societies' different views of capital-labour relations, which were mainly attributed to Japan's 'industrious revolution' and China's embedded economic rationalism, have contributed to their different consumer credit development trajectories. Akira Hayami (1992, 2015), an economic historian, argues that during the Edo period (1603–1868), Japan experienced a labour-intensive, capital-saving path of agricultural development, industrious revolution, given its scarcity of arable land and abundance of labour, enhancing living standards and forming modern Japan's work ethic and respect for labour. He contrasts this to the Industrial Revolution in the mid-18th to mid-19th century Britain, which faced much less pressure from a labour surplus. From the mid-16th century to the early Edo period, the Japanese government separated samurai warriors/elites, the ruling class, from farmers to establish a standing army and mitigate the risk of an agrarian revolt by confiscating weapons from farmers. It also eliminated landlords who had both aspects of samurais and farmers, thereby promoting the independence of small farmers.

These policies removed samurais' control over farming operations, and the industrious revolution transformed inefficient, traditional agriculture using peasants in a state of servitude into highly efficient small-sized farming operations based on better-motivated family labour, who obtained the profits from increased production yields. A key mission of feudal lords was to protect the lives of people in their domains (Yonaha, 2014, p. 91). During the Edo period, farmers, who were banned from trading farmland, accounted for approximately 80% of the total population. The Japanese village was a membership community that provided vital mutual support for small farmers, while all members were required to make a full commitment to the village. Occasionally, villages revolted against tax hikes imposed by the ruler and farmland foreclosure by money lenders to maintain their autonomy. Systemic support was witnessed within a village and between samurai elites and farmers in the same domain.

Many Japanese historians (e.g. Saito, 2010; Yonaha, 2014) have accepted Hayami's theory. Sugihara (2004, p. 14) claims that 'the work ethic associated with the Industrious Revolution path had survived the Meiji Restoration (in 1868) and the Postwar Reform'. Japanese elites have promoted industrious norms (internalised work ethic, respect for labour and a negative view of financial profit) and mobilised the workforce to enrich intermediary organisations and the country since the Edo period. However, during the Meiji period (1868–1912), landlords collecting rents from tenant farmers without working in their farms, who were called 'parasite landlords', re-emerged due to the introduction of Western-style governance. Although Japan's liberal economic system from 1868 until the early 1930s was influenced by the liberal international order of *Pax Britannica*, agrarian and labour disputes (i.e. class conflicts) dramatically increased from WWI (1914–18) until the mid-1930s (Teranishi, 2003, pp. 143–7), which reflected the tension between liberal global norms and socialistic Japanese social norms. Yonaha (2014) contends Edo Japan was under 'feudal socialism' segmented by village, whereas wartime Japan was under socialism led by military and bureaucracy.

After WWII, the US occupation forces, initially led by the New Dealers, eliminated major Japanese capitalists, including landlords and executives of Zaibatsu conglomerates and large firms, through the agricultural land reform, the dissolution of Zaibatsu, the purge of top management and the wealth tax. This greatly contributed to the maintenance of socialistic industrious norms in postwar Japan, making a coalition of anti-liberal management and labour against capitalists (mainly shareholders pursuing short-term profit) at large firms (Matsumoto, 2011; Nishiyama, 1992; Noguchi, 2010). Despite the decline in the proportion of the agricultural population to the entire labour population from over 60% to 6% between 1900 and 2000 through urbanisation, industrious norms have been instilled into both public-sector organisations and private-sector companies, which share similarities with agrarian villages during the Edo period. Postwar Japanese companies, rather than the state, have provided a large proportion of social welfare (albeit declining over the last two decades) for their employees. Brinton (2011) and Nakane (1973) claim the Japanese traditionally have a strong attachment to '*ba* (social location)' shared by a small group (e.g. village, company division, bureau), which results in stronger social solidarity than an attachment to an entire organisation or the state, with belonging to a small group a prerequisite for participating in a large group.

Nishiyama (1992, p. 246) points out large Japanese firms are not dominated by shareholders but by managers (as supervisory workers) and claims the postwar decline of capitalists and the dominance of firms by supervisory workers in Japan was based on an idea that only people who provide labour should be rewarded, while those who do not are unqualified for a reward. However, over the last three decades, an increasing number of low-paid, easily dischargeable non-regular workers have neither obtained full membership to social location nor been sufficiently rewarded. This suggests the Japanese motivation for industriousness is weakening. Hayami (2015, p. 95) claims 'the Japanese people are likely witnessing the end of a 400-year era of industriousness', but industrious norms are still persisting in Japan as anti-liberal elites tenaciously try to preserve the norms which are closely linked to their vested interests. While some scholars (e.g. Hayashi, 2020; Shibata, 2020) claim neoliberal corporate management has casualized the employment in Japan, I contend most Japanese corporate management have anti-liberal bureaucratic (not capitalistic) characteristics and have hired low-paid, easily dischargeable non-regular workers to reduce personnel costs and protect existing regular workers in lifetime employment. However, although labour is respected in Japan, I agree the exploitation of non-regular workers has been aggravated in the prolonged economic stagnation.

In summary, the Japanese have long maintained strong attachments to intermediary organisations that are intertwined with anti-capitalistic industrious norms and systemic support. The solidarity within and between Japanese intermediary organisations is demonstrated in the behaviour of both superiors and subordinates (e.g. village leaders and members, corporate executives and regular workers, large firms and subcontractors) mutually abandoning their alternative options to long-term commitment. Although industrious norms and systemic support in Japan have both become weaker over the last three decades, they still characterise Japanese society and intermediary organisations by constraining the mobility of capital and labour and resisting capitalist dominance.

In contrast, intermediary organisations (e.g. village, company) between the state and family have played a limited role in providing systemic support in China. The Song dynasty (960–1279) replaced the power of aristocrats under the hereditary system with that of the autocratic emperor and his scholar-bureaucrats selected by the civil service examinations (*keju*) system (Naito, 2004). According to Jing and Luo (1978), Lufrano (1997) and Miyakawa (1955), under autocracy, political power was highly centralised, while the social and economic system was liberalised (e.g. freedom of movement and occupational choice, the development of monetary economy, the diffusion of markets). The centralised autocratic-bureaucratic system intensified economic competition in Chinese society and continued until the collapse of the Qing dynasty (1644–1912). Scholar-bureaucrats, as the exercisers of imperial power, landlords and monopolisers of knowledge, exerted dominance over ordinary people.

The sense of paternalistic obligation between lord and peasant did not exist in China (Fukuyama, 1995). For survival, people turned to the clan (extended family), which is a patrilineal group of related individuals with a common surname sharing a common ancestor, and clan-based organisations provided a safety net for members. Kinship ties were more important in imperial China than in early modern Japan. In imperial China, equal inheritance among males was widely accepted, while primogeniture was the norm in Japan, where many non-eldest sons had to seek protection outside their family. Chinese people maintained their lifetime membership to a clan regardless of relocation (even overseas) and marriage, whereas in Japan, relocation and marriage often invalidated a family membership given the emphasis on social location (Shang, 1998). The elevation of family bonds above all other social loyalties in China hampered the growth of intermediary organisations (Fukuyama, 1995). Instead, Chinese people relied on guanxi[7] outside kinship, which plays a key role in Chinese capitalism (for an explanation of *guanxi* capitalism, see McNally, 2011).

Zhan (2019) argues, from 1700 to 1820, China also experienced the industrious revolution, which was ascribed to peasant rebellions and wars during the Ming–Qing transition (1618–96) that eliminated many landlords, the equal inheritance among males that fragmented farmlands and the Qing state's policy of supporting small farmers to preserve agrarian taxes as a major state revenue. Although small farmers were still subordinated to landlords and elites, they gained some autonomy, and their social status improved. Arrighi (2007) also refers to the industrious revolution, although he emphasises the convergence of the two countries' development paths. The Qing state adopted a market-based economy mainly supported by a massive agricultural surplus but gave up an income redistribution function. However, in the late 18th century, the industrious revolution started to unravel. The living standards of small farmers seriously deteriorated due to the Qing state's heavy reliance on local elites (scholar-bureaucrats and landlords) regarding local governance and the extraordinary population growth, which shifted the balance of power in favour of landlords (i.e. increased taxes levied on farmers) owing to the increased scarcity and value of land (Zhan, 2019). Importantly, there exists significant continuity between the nature (economic rationalism) of the market economy that developed in Qing China and the emergence of China's current capitalism (Gruin, 2019a, p. 31).

The industrious revolution in China enhanced the industriousness of farmers and agricultural productivity for 120 years but succumbed to capitalist power and did not embed anti-capitalistic industrious norm (particularly respect for labour) in society due to the weakness of systemic support within intermediary organisations (e.g. village) and between social classes. Moore (1966, p. 208) states that 'The Chinese village … evidently lacked cohesiveness in comparison with those in India, Japan, and even many parts of Europe. There were far fewer occasions on which numerous members of the village cooperated in a common task in a way that creates the habits and sentiments of solidarity'. The dominance of villages by landlords and the limited constraints on farmers trading farmland and moving to other villages hampered the cohesiveness of the Chinese village and the formation of industrious norms in villages and broader society.

Between 1947 and 1951, the CCP eliminated landlords and introduced the *hukou* system, destroying the market economy. In 1951, the party started providing people with 'iron rice bowl' (cradle-to-grave) social security through SOEs and agricultural collectives (subsequently developed into communes), which was strong systemic support. The early postwar period witnessed some similarities between Japan and China. However, from 1958 until 1962, the CCP launched the Great Leap Forward, an economic and social campaign to reconstruct the Chinese economy through the formation of people's communes. Collectivisation (ban on private holdings) was unpopular among farmers, and a lack of effective coordination and supervision caused an extraordinary famine (Zhan, 2019). The Great Leap Forward can be regarded as a top-down attempt at an industrious revolution by using abundant labour that failed to form anti-capitalistic industrious norms in socialist China.

In summary, the Chinese do not traditionally rely on systemic support within and between intermediary organisations; instead, they turn to kinship and *guanxi* networks. Meanwhile, capitalist dominance under autocracy and economic rationalism have remained deep-seated in Chinese society since the era of imperial China. During the reign of Mao Zedong, systemic support in China was temporarily strengthened but has become weakened since Deng Xiaoping's economic reforms. In today's China, systemic support is narrow and mainly confined to kinship and relations between central/local governments and SOEs.

Reasons for the divergent paths in (de-)financialization of consumption

I contend Japan's and China's divergent paths in financialization of consumption can be attributed to the varying levels of compatibility between American financial norms (maximisation of short-term financial profit through high mobility of capital and labour) and their social norms, the different timings of their integration into the global economy, and the interests of key actors of each country. The actual process of institutional formation is a combination of the socio-historical and external influences. Embedded liberalism and the US hegemonic support during the Cold War enabled anti-liberal elites to maintain dominant status in Japan under the 1940 system, and these elites promoted industrious norms and systemic support to mobilise society for economic development. However, anti-liberal elites' vested interest, industrious norms, strong attachments to social location and systemic support hampered Japanese society's adaptation to enhanced capital mobility and financialization. For anti-liberal elites, unrestricted capitalist power is a threat to their dominant status. In contrast, the dramatic expansion of China's consumer credit over the last decade has been promoted by the CCP's consumption-driven economic growth policy to maintain its legitimacy of the rule and economic rationalism embedded in Chinese society.

Japan's rapid consumer credit expansion from 1982 until 1995 was driven by the first wave of financial globalization, which forced Japanese banks to expand consumer finance to make up for decreased profitability in corporate finance. Further, both domestic pressure (mainly from export-oriented industries) to stop the appreciation of the yen against the US dollar and US pressure on Japan to stimulate the global economy through domestic demand expansion at the Louvre Accord in 1987 caused the Bank of Japan's (BOJ's) drastic monetary easing, which generated an enormous asset bubble. This bubble, which promoted luxury consumption, speculative property and financial investment, and consumer credit, generated the financialization of consumption. However, it created tensions between the haves (e.g. property owners, speculative investors) and the have-nots. A series of monetary tightening measures by the BOJ from May 1989 until August 1990, alongside MOF's introduction of the restriction on the total amounts of loans for real estate in March 1990, ultimately burst the asset bubble. This was a key distant cause to reverse the financialization of consumption.

I argue these bubble-bursting measures, which were encouraged by the have-nots (ordinary workers) and mass media critical of skyrocketing property prices and growing economic inequality (Nishimura, 1999), exhibited anti-liberal elites' hostility towards financialization that would erode industrious norms and systemic support. These elites utilised industrious norms, which view pursuing short-term financial profit as immoral, to contain financialization. However, the damage to the Japanese financial system caused when the asset bubble burst was much larger than most Japanese leaders had expected, resulting in banks' drastic reduction of consumer credit from the mid-1990s onwards to meet the Basel Capital Accord.

However, non-banks' rapid consumer credit expansion in Japan was accelerated by the second wave of financial globalization. The prolonged bad debt problem and economic slump caused Japanese elites to lose confidence in their traditional financial system and introduce Anglo-American style financial practices. The power of anti-liberal elites and systemic support weakened in Japan while Anglo-American financial practices gathered momentum in Japan between the mid-1990s and mid-2000s, when economic inequality became conspicuous. Before the bubble burst and the LDP fell in the early 1990s, anti-liberal elites had provided systemic support as quasi-public goods, which directly and indirectly protected the great majority of Japanese people while maintaining relatively high economic growth (Gotoh, 2019). In the mid-2000s, systemic support resurged due to the public call for stability, but the relative power decline of anti-liberal elites has transformed systemic support to virtual subsidies to specific interest groups. Japanese politicians have been keen to support the socially vulnerable (interest groups), who have sought support from the government, to gather more votes. Such diluted systemic support included the revised Money Lending Law, which coincided with other anti-neoliberal backlash events starting in 2006 (e.g. the Livedoor and Murakami Fund incidents), accelerating the de-financialization of consumption (Gotoh, 2020).

Early modern Japan resisted the ethos of imperial China (from the Song dynasty onwards), which was maximising capital and labour mobility by removing fixed intermediary organisations considerably under autocracy (Yonaha, 2014). Despite its ideological difference from the West, Chinese society had long experienced a market economy without relying heavily on systemic support outside family and kinship. However, under Mao's rule, the CCP boosted systemic support by restricting capitalist power and labour mobility through the elimination of landlords, the introduction of the *hukou* system and the establishment of SOEs and people's communes, which could not be sustained.

After the turmoil of the Cultural Revolution (1966–76), the CCP emphasised economic growth as an indicator of success and as a means of legitimacy (Breslin, 2007, p. 26). The stagnation of the Chinese economy during the revolution motivated the CCP's impulse to carry out economic liberalisation reforms (Weber, 2018). Since the announcement of the 'reform and opening-up' in 1978, the CCP has gradually enhanced the mobility of capital and labour, which is not new to Chinese society and has been facilitated by invoked economic rationalism. The CCP abolished the people's communes by the winter of 1982–3 and loosened the restrictions on both migrations from rural areas to smaller cities and rural-urban *hukou* conversion. In his 1986 interview with Deng Xiaoping, American reporter Mike Wallace stated 'To get rich is glorious. That declaration by Chinese leaders to their people surprises many in the capitalist world'. Deng did not object this statement and replied 'to get rich is no sin' (USC US–China Institute). The CCP drastically reformed the social security system from the mid-1980s until the late 1990s, turning to neoliberal solutions to restructure SOEs through sweeping job cuts, bankruptcy, consolidation and privatisation since the 1990s, reducing systemic support to improve economic efficiency. This reduction in systemic support has evoked the economic rationalism embedded in Chinese society.

The liberalisation of inward foreign direct investment, privatisation, increases in private sector companies, and competition between provincial governments for economic performance have gradually increased capital mobility in China. The influence of neoliberalism on China can also be seen in its accession to the WTO (in 2001) and the IMF's surveillance mechanisms to encourage financial liberalisation. However, one major difference from the US is that the Chinese state as a shareholder and institutional investor in the economy has played a central role in financialization (Wang, 2015). Although many scholars claim that the CCP's capital and exchange rate controls deviate from neoliberal dictates (e.g. Liew, 2005; Strange, 2011), the aim of these controls is to redistribute wealth from Chinese workers to SOEs and SOBs –the party's key interests– via financial repression (Vermeiren & Dierckx, 2012). Importantly, the common goal of both economic rationalism in Chinese society and neoliberalism is to accumulate capitalist wealth through labour exploitation by drastically reducing systemic support.

Rapid urbanisation and economic liberalisation have sharply increased mass consumption and consumer credit. According to a survey of more than 16,000 adults in 20 countries conducted by the French market research company Ipsos (2013), 71% of Chinese respondents agreed with the statement 'I measure my success by the things I own', far higher than those from other countries, including Japan at 22%. The ongoing consumption-driven growth policy with consumer credit expansion is vital for the CCP's legitimacy so that even if the number of consumer credit borrowers victimised by lenders increases, the party would not change the policy easily.

Conclusion

I have argued Japan's and China's diverging trajectories in (de-)financialization of consumption have been predicated on their different social norms, which are linked to their different entry points into the global economy and the interests of key actors of each country (Table 1). Japanese society's anti-capitalistic industrious norms, which have been underpinned by strong systemic support within and among intermediary organisations, are at odds with financialization and Anglo-American financial norms that enhance both capital and labour mobility, leading to capitalist dominance and labour casualisation. In contrast, economic rationalism embedded in Chinese society, which drives people to increase material wealth through kinship and *guanxi* networks, has facilitated financialization of consumption. Chinese society does not have strong attachments to social location (membership to intermediary organisations) and industrious norms/productivism (a negative view of financial profit), which hamper market efficiency and financialization.

As the comparative analysis of early modern Japan and late imperial China indicates, the formation of social norms requires a very long time, and once formed, social norms are persistent. However, there is no such thing as constant norms in a society, and social norms change through interactions with domestic and international factors. For instance, in early modern Japan, ruling elites pursued long-term stability in their domains (social location) through compromise with farmers by providing autonomy for and instilling industrious norms into them rather than short-term benefit by coercing them to pay heavier taxes. Social norms do not exist indigenously, but they are used by dominant elites as a tool. Industrious norms and systemic support are cornerstones of anti-liberal elites' dominance in Japan. Now that around four centuries have passed since the industrious revolution, the Japanese motivation for industriousness is fading although anti-liberal elites adamantly try to maintain industrious norms and systemic support to protect their dominant status from a capitalist threat. Furthermore, Japan's resistance to financialization has caused the country to pay a series of painful tolls, such as prolonged weak consumer spending, economic hollowing-out (due to Japanese firms' soaring overseas investment) and sharp rises in the number of working poor. In contrast, although China experienced the industrious revolution between 1700 and 1820 as well as an attempt at a top-down industrious revolution during Mao's reign, it was ultimately overwhelmed by capitalist power; consequently, industrious norms were not encapsulated in Chinese society. The Chinese rely on kinship and *guanxi* networks due to relatively weak systemic support within and between intermediary organisations. Today's 'neoliberalism with Chinese characteristics' (Harvey, 2005) could be regarded as a revival of the combination of economic rationalism and autocracy during late imperial China. China's better compatibility with financialization and Anglo-American-style capitalism has contributed to its rapid economic growth. Still, growing economic inequality between wealthy urban residents and poor farmers remains a serious political issue. The problems in Japan and China would change the two societies' norms.

Table 1. Comparison in (De-)Financialization of Consumption between Japan and China.

	Social Norms	Timing of Integration to Global Economy	Interests of Key Actors	Resulting (De-)Financialization of Consumption
Japan	Industrious Norms, Strong Systemic Support	1950s (Embedded Liberalism)	Prevention of Capitalist Dominance	De-Financialization from 1995 to 2013
China	Economic Rationalism, Weak Systemic Support	1990s (Neoliberalism)	Legitimacy of the CCP (High Economic Growth)	Rapid Financialization since 2010

This article has highlighted the significant influence socio-historical factors have had on both the Japanese and Chinese paths in (de-)financialization of consumption, which differ from the Anglo-American 'model'. Other forms of financialization (and resistance to it) in Japan and China can be witnessed in areas such as corporate governance, capital market regulation, and de-industrialization. Furthermore, my analytical approach focusing on social norms, which were nurtured in social relations over farmland (e.g. between feudal lords, landlords and farmers) during the early modern agrarian era and have survived today, can be applied to other countries in Asia and Europe.

Notes

1. Although in some literature consumer credit includes mortgages, my paper focuses on non-mortgage consumer credit for two reasons. Firstly, non-mortgage consumer credit influences consumer spending, while residential mortgages affect housing investment. Secondly, in industrialized countries, when households take out a mortgage, they may receive public support (e.g. government guarantees and low-interest rate loans from government financial institutions), unlike non-mortgage consumer credit.
2. Many Japanese non-mortgage, consumer credit non-banks were established during the 1950s and 1960s. Furthermore, in the 1960s, American credit cards, including Diners Club, American Express and Mastercard, entered Japan mainly through alliances with Japanese banks, and local Japanese credit cards were also established.
3. Interview with Professor Yoshio Shima at Tamagawa University, 31 July 2019.
4. Interview, 23 November 2015.
5. The CCP's attempt to use fintech as a method of control is supported by technology giants in China, including Tencent, which has been accused of facilitating government censorship and surveillance by drawing data from its two social media applications, WeChat and QQ.
6. Furthermore, not only were there no capital requirements for participating in P2P lending transactions but also there was no regulatory authority to monitor these lenders' actions and protect fund providers (Tsai 2015; Wang et al., 2015) until the consolidation of the CBRC and the China Insurance Regulatory Commission (CIRC) in 2018.
7. According to McNally (2011, p. 2), 'Guanxi denotes the establishment of long-term reciprocal personal relationships that can create enduring trust. Guanxi thus can facilitate business relations and collaborative ties among entrepreneurs.'

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