

Japan: A mounting debt crisis

23 January 1998

At the center of the financial storm in Asia lies the region's largest economy, Japan. Mired in economic stagnation throughout much of the 1990s, the country's financial and banking system is burdened with massive levels of bad debts, the legacy of the collapse of share and property values in the late 1980s.

The level of nonperforming loans has been compounded by financial crisis and bankruptcies throughout Asia. The Japanese finance ministry recently admitted that the level of bad debts is almost three times previous official estimates: 76 trillion yen or \$900 billion.

Japan's banking system is also being undermined by the continuing fall in share values on the Tokyo stock exchange. Already a number of large banks and investment houses have collapsed, including the giant Yamaichi Securities.

Japanese Prime Minister Ryutaro Hashimoto has attempted unsuccessfully to appease the markets and the US administration by pledging to inject 10 trillion yen in direct loans and another 20 trillion yen in government guarantees to prop up the ailing financial system.



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