

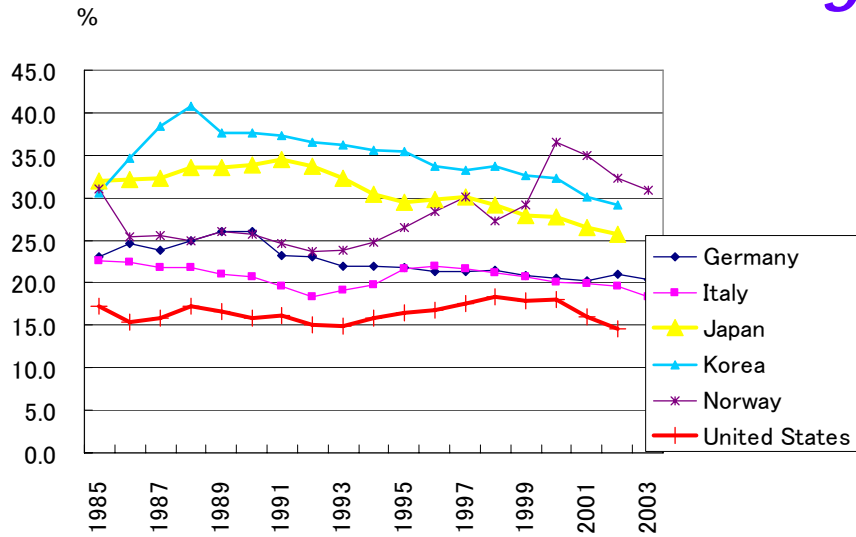
Why Do the Japanese Save So Much?

Toshihiko Hayashi
May 14, 2007

Gross National Saving

- Saving of household, corporate and government sectors combined as a percentage of nominal gross domestic product (GDP).

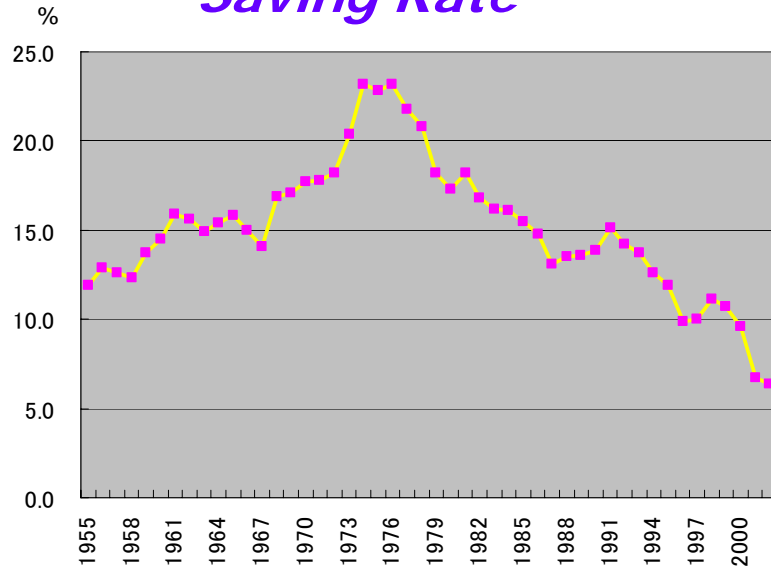
Gross National Saving



Household Saving Rate

- Household saving as a percentage of disposable (after tax) personal income.

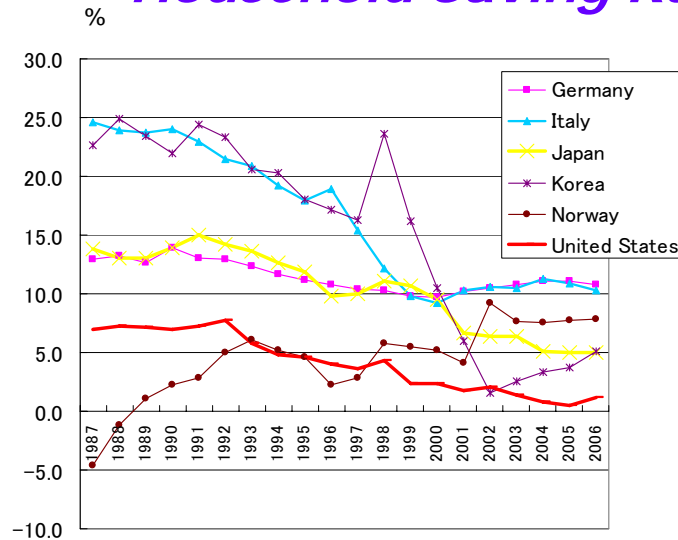
Japan's Household Saving Rate



International Comparison

- International comparison can be misleading because different countries use different definitions for household saving.
- OECD makes a maximum effort to modify the statistics published by individual countries

Household Saving Ratio



Data: OECD

Saving Hypotheses 1

- Keynesian saving function

$$S = a + bY_d$$

- Relative Income Hypothesis (J.Duesenberry)
- Permanent Income Hypothesis (M.Friedman, W.W.Rostow)

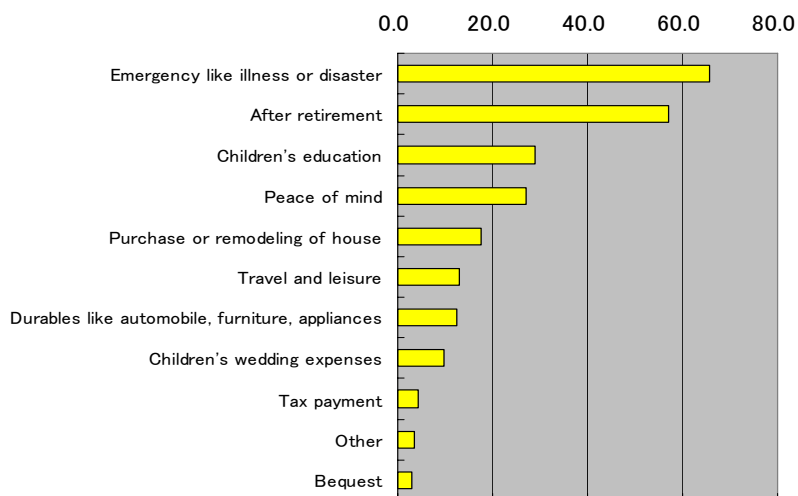
$$S = sY_p$$

Saving Hypotheses 2

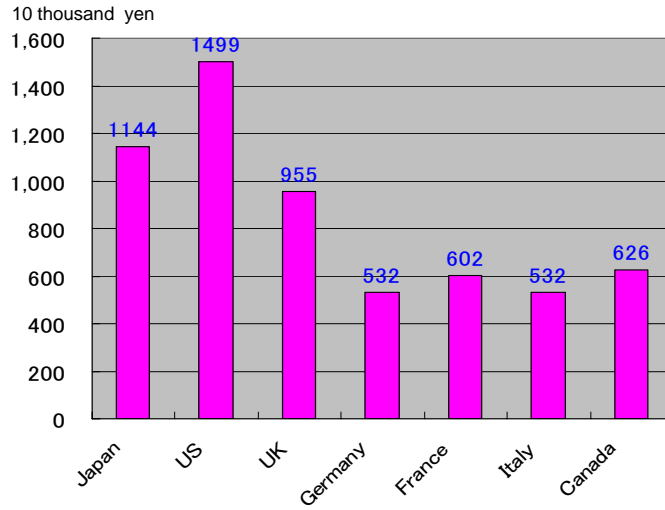
- Confucian Ethics Hypothesis
- Bonus Hypothesis
- Social Security Hypothesis (M.Feldstein)
- Target Wealth Hypothesis (R.Sato)
- Life Cycle Hypothesis
- Bequest Hypothesis

Why Save?

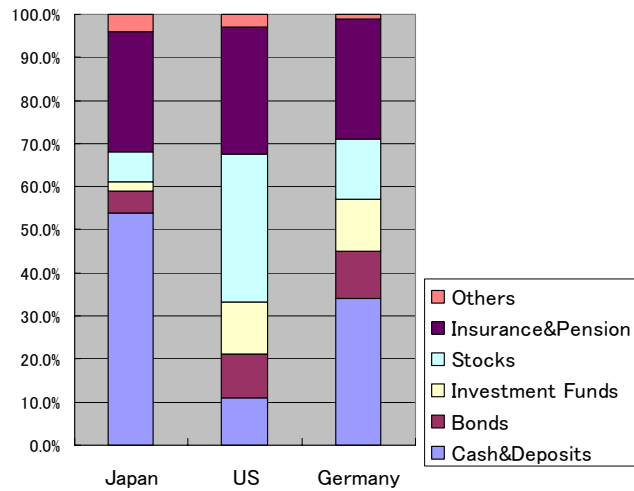
Survey on Household Financial Assets, 2004



Household Financial Assets per capita (end of 2001)

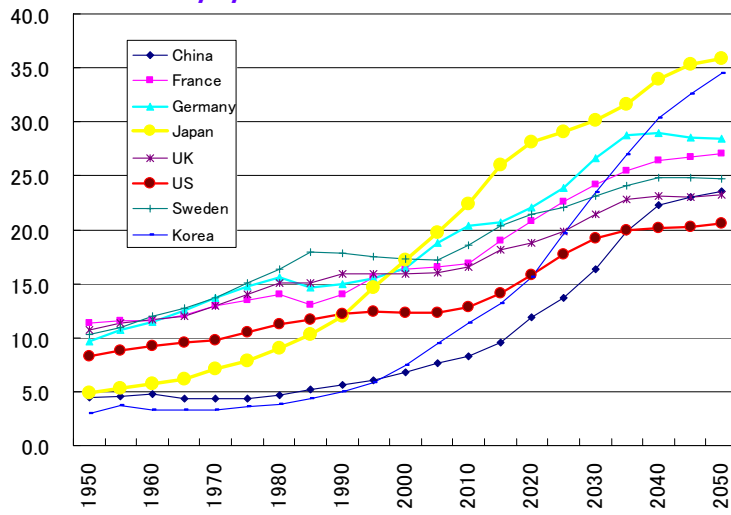


Household Portfolio



Aging Population

65 years and above as a percentage of total population



Data: UN, World Population Prospects, The 2004 Revision