

# Convergence by Design: The Case of CalPERS in Japan

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*The American Journal of Comparative Law*, Volume 55, Issue 2, Spring 2007,  
Pages 239–293, <https://doi.org/10.1093/ajcl/55.2.239>

**Published:** 01 April 2007

## Abstract

U.S. institutional investors are a key actor helping to diffuse shareholder-primacy precepts overseas, including to Japan. This study focuses on CalPERS, the public pension fund that is one of Japan's largest foreign equity investors. Using original sources, the article shows how CalPERS transferred to Japan the activist tactics and governance principles it developed in the United States. CalPERS had modest success in changing corporate governance law and practice in Japan. It faced opposition from big business and other groups skeptical that the CalPERS principles would improve corporate performance. Given this resistance as well as barriers to institutional and legal change, CalPERS turned to relational investing as a way of extracting greater value from its Japan investments. Although CalPERS seeks to create long-term value, it is also concerned with the distribution of value among corporate stakeholders. The article considers the distributional effects of governance change and urges continuing attention to this issue.

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