

Reviews

Sébastien Lechevalier, ed. *The Great Transformation of Japanese Capitalism*. Translated by J.A.A. Stockwin. London and New York: Routledge, 2014. xxxv + 198 pp. ISBN: 978-0-415-71766-3, \$140.00 (cloth).

In *The Great Transformation of Japanese Capitalism*, Sébastien Lechevalier writes that “the ambition of this book is to offer a very different account from what is usually accepted about the trajectory of [the] Japanese economy since the early 1980s” (p. 158). He notes that until the end of the 1980s, the performance of Japan’s economy was regarded as clearly superior to those of the United States and Europe. However, the dominant viewpoint today is that Japan is inescapably on a downward slope. Lechevalier states that from a neo-liberal viewpoint, the stagnation of the Japanese economy is caused by the failure of the Japanese socioeconomic system to adapt to a new global and technological environment. He challenges this neo-liberal view, however, arguing that the neo-liberal solution to the Japanese economic crisis is, in fact, one of the causes of the problems that Japan has faced over the past thirty years.

In Chapter 1, “Thirty Years of Neo-Liberal Reforms in Japan,” Yves Tiberghien provides a chronology of the structural reform process of Japanese capitalism over the past thirty years and offers an explanation for this process. In Chapter 2, Lechevalier discusses the evolution of the model of the Japanese firm. Characteristics of the classic Japanese firm—such as its employment practices, corporate finance, and corporate governance—have been evolving, but Lechevalier rejects the notion that this evolution is leading into a convergence of the Japanese firm with the Anglo-Saxon or liberal model of the firm. Rather, he finds an increasing diversification among Japanese firms. In Chapter 3, Lechevalier shows that there has been a decline in the classic Japanese forms of coordination of the economy. However, he also argues that this has not been replaced by market-driven forces. Instead, the classical forms of coordination in Japanese-style capitalism have been replaced by new forms of collaboration.

In Chapter 4, Lechevalier discusses the rising level of inequality, fear of downward social mobility, and employment security in Japan: “Social protection in Japan was not accompanied by massive public

© The Author 2015. Published by Cambridge University Press on behalf of the Business History Conference.

expenditures because it was essentially based on the firm and the family" (p. 100). The rise of inequality in Japan has been caused by such things as the increasing level of non-regular work (such as part-time and temporary work), which today represents more than 30 percent of the total work force and more than 80 percent of the new jobs created, and by the increase in the growth of the so-called working poor. Lechevalier contends that "the rise in inequality in Japan came from the introduction of neo-liberal policies without a corresponding establishment of a real welfare state" (p. 101). Accordingly, a new Japanese-style welfare system needs to be invented. Chapter 5, written by Lechevalier and Arnaud Nanta, discusses the postwar Japanese education system and the implementation of school reforms since 1992.

In Chapter 6, Lechevalier questions the suitability of the American Silicon Valley type of innovation pattern, which is characterized by the prominent role of individual entrepreneurs in new, small startup firms experiencing phenomenal growth thanks to a particular product or technology, and is financed by venture capital. He points out that although this innovation system has been raised to the level of an American national model, in reality it is specific to certain industry sectors—namely, information and communications technologies and biotechnology. The traditional Japanese innovation system, on the other hand, is the exact opposite, with domination by very large corporations, financing by banks, the central role of industrial policy in coordination of research and development efforts, the relative weakness of universities as a source of innovation, and intellectual property rights disadvantageous to inventors. Lechevalier argues that Japan's long economic crisis is not due primarily to the Japanese innovation system, however. In fact, he emphasizes that the strength of the Japanese economy has been connected to other forms of innovation, such as industrial organization—which, for example, the Toyota production system is best known for. Accordingly, even though most of Japan's reforms have been inspired by the American system, this has not led to a convergence of the Japanese system with the American system.

In Chapter 7, Lechevalier focuses on the evolution of Japan's international economic involvement. He argues that there have been profound changes in terms of opening up Japan's economy to the rest of the world, as well as in terms of the evolution of its trading partners. Up to the beginning of the 1990s, Japan's economic growth was driven by exports, mainly to the United States. However, from the end of the 1990s, Japan opened up its economy, which was manifested in the growth of foreign direct investment in Japan, and in its imports from China, which became Japan's primary trade partner in

2004. Accordingly, Lechevalier asserts that “to call Japan today either protectionist or mercantilist is a long way from reality” (p. 154).

Despite the changes in Japanese capitalism cited in *The Great Transformation of Japanese Capitalism*, does all this really add up to a “great” transformation of the Japanese economy? I do not believe so. Changes in the Japanese economic system have doubtlessly been evolving slowly, but conspicuously absent from Lechevalier’s analysis are some important factors that are contributing to Japan’s economic decline, such as demographic trends and Japan’s refusal to allow for the immigration of skilled workers and innovative entrepreneurs. This is mindboggling, considering that Japan’s population is the oldest and fastest aging society in the world and is simultaneously shrinking rapidly. According to the Japanese National Institute of Population and Social Security Research, the population is projected to plunge from 128 million in 2010 to 87 million in 2060, an incredible decline. Nevertheless, foreigners, who make up a mere 1.5 percent of the population, are not welcome to become citizens of Japan’s ethnic-based Shintō society. Interestingly, the immigration figures for Korea, historically an equally xenophobic society, are nearly double; Korea is now finally accepting more foreigners into its workforce and the Korean government and Korean business leaders are actively promoting an increase in the numbers of skilled foreign workers in Korean corporations. This is in sharp contrast to Japan. For instance, Toyota, like most Japanese companies, is noted for its lack of foreign staff, even though 74 percent of Toyota’s sales come from abroad. With such statistics, how can Lechevalier make the claim that Japan is not protectionist? Although Lechevalier discusses the Silicon Valley model of innovation in Chapter 6, he totally neglects a fundamental aspect of it: immigration of very talented and innovative people from around the world. Immigrant Chinese and Indians run a very high percentage of the technology businesses started in Silicon Valley, and, in some industry sectors, the percentage of immigrant-founded startups in has increased to over 50 percent. By contrast, Japan has not taken steps to internationalize its labor force. The lack of women in Japan’s male-dominated corporate culture is another neglected topic. In short, how can Lechevalier claim that a “great” transformation in Japanese capitalism has occurred? I would argue that it has been only a “partial” transformation.

Walter Skya

University of Alaska Fairbanks

doi:10.1017/eso.2015.23

Published online June 15, 2015

ENTERPRISE & SOCIETY

THE INTERNATIONAL JOURNAL OF BUSINESS HISTORY

Published by Cambridge University Press for the Business History Conference

Volume 16, Number 4

December 2015

INTRODUCTION

- Introduction 741
Andrew Popp

PRESIDENTIAL ADDRESS

- WOMEN CHANGE EVERYTHING 744
Mary A. Yeager

DISSERTATION SUMMARIES

- Margins of the Market: Trafficking and the Framing of Free Trade
in the Arabian Sea, 1870s–1960s 770
Johan Mathew
- Inventing Purity in the Atlantic Sugar World, 1860–1930 780
David Roth Singerman
- Buying into Change: Consumer Culture and the Department Store
in the Transformation(s) of Spain, 1939–1982 792
Alejandro J. Gomez-Del-Moral

ARTICLES

- Barcelona and SEAT, a History of a Lost Opportunity: Corporate
Marketing, Nation Branding, and Consumer Nationalism in the
Automotive Industry 811
Joaquim Rius-Ulldemolins
- A Common Brotherhood for Their Mutual Benefit: Sir
Charles Macara and Internationalism in the Cotton Industry,
1904–1914 847
Jonathan E. Robins
- The Business of Daguerreotypy: Strategies for a New Medium 889
Anne Verplanck
- Marketing the Message: The Making of the Market for Life
Insurance in Australia, 1850–1940 929
Monica J. Keneley

BOOK REVIEW ESSAY

- Monetary Heterodoxies 957
Reviewed by Rebecca Spang
- Edward Castronova. *Wildcat Currency: How the Virtual Money
Revolution is Transforming the Economy*
Felix Martin. *Money: The Unauthorized Biography*

REVIEWS

- Sébastien Lechevalier, ed. *The Great Transformation of Japanese Capitalism* 964
Reviewed by Walter Skya
- Judith A. Layzer. *Open for Business: Conservatives' Opposition to Environmental Regulation* 967
Reviewed by Linda Bui
- Stephen J. Silvia. *Holding the Shop Together: German Industrial Relations in the Postwar Era* 970
Reviewed by Armin Grünbacher
- Lyman L. Johnson. *Workshop of Revolution: Plebian Buenos Aires and the Atlantic World, 1776-1810* 972
Reviewed by Christopher Schmidt-Nowara
- Salvatore Basile. *Cool: How Air Conditioning Changed Everything* 974
Reviewed by Gail Cooper
- Jason M. Colby. *The Business of Empire: United Fruit, Race, and U.S. Expansion in Central America* 976
Reviewed by Marcelo Bucheli
- Claire L. Jones. *The Medical Trade Catalogue in Britain, 1870-1914* 978
Reviewed by Alun Withey
- Peter Temin. *The Roman Market Economy* 980
Reviewed by David B. Hollander
- Tammy Ingram. *Dixie Highway: Road Building and the Making of the Modern South, 1900-1930* 983
Reviewed by Matthew L. Downs
- Carolyn M. Goldstein. *Creating Consumers: Home-Economists in Twentieth-Century America* 985
Reviewed by Thomas Stapleford
- Sue Fawn Chung. *In Pursuit of Gold: Chinese American Miners and Merchants in the American West* 988
Reviewed by Fang He
- Sven Beckert. *Empire of Cotton: A Global History* 991
Reviewed by Jonathan E. Robins

Cover design by Adam Albright