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The Great Transformation of Japanese Capitalism, edited by Sébastien Lechevalier

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Book reviews

Sébastien Lechevalier, ed., *The Great Transformation of Japanese Capitalism*, Routledge, London, 2014, xxxv+198 pp.

It can hardly be accidental that the title of this book echoes Karl Polanyi's (1944) classic *The Great Transformation*, although it is not explicitly mentioned. Polanyi was writing about the liberal transformation of Great Britain in the nineteenth century, then at the height of its industrial revolution. The result, as Geoffrey Ingham (1984) convincingly argued, was a 'capitalism divided' – between the nexus of financial interests centred on the City of London, and those of the industrial north and midlands. In the book at hand, Sébastien Lechevalier is exploring the transformation of Japanese industrial capitalism through the influences of neo-liberalism. The result, he argues, is both increasing diversity and disjointedness, commonly referred to as Japan's lost decade(s). Although not explicitly referred to, either, one may also recall Veblen's (1904) depiction of the transformation of US capitalism, from an industrial to a financial orientation at the turn of the nineteenth century. Capitalism nurtures the seeds of its own transformation, but how it does so differs from country to country. Japan is no exception, as this book cogently shows.

The common misunderstanding which the book seeks to counter is that Japan was slow to respond to changes in its technological and business environment

(globalization), and by sticking rigidly to an increasingly outmoded form of producer-oriented or mercantilist capitalism, it entered into a period of stagnation that only ever-stronger doses of neo-liberalism can cure. This perspective is emphatically rejected, indeed turned on its head – it was the infiltration of neo-liberal concepts, first under 1980s' PM Nakasone, which produced an asset bubble, change with unintended consequences, a decline in institutional complementarity, a rupture of the social compromise, and a precipitous rise in inequality. This is a bold thesis. Where does it come from, and does it stand up?

Although it is published as an 'edited' book, it is nonetheless essentially an authored one, by Lechevalier, plus a substantial Foreword by Robert Boyer, a contributed chapter by Yves Tiberghien, and a chapter co-authored with Arnaud Nanta. France is not well accommodated in mainstream 'varieties of capitalism' writing, which tends towards simplistic 'market versus coordinated' dichotomies. Sometimes France is lumped into the latter group, often it is just left out. This has led to considerable frustration, and reflection by French scholars, who additionally have a tradition of rejecting dichotomous treatments of economy and society, and bring a strong socio-economic perspective to the study of institutions, and capitalism. In this case the authors are associated with the *régulation* school, and bring this perspective to the analysis of Japan, along

with a scepticism towards the claims and influence of neo-liberalism.

The book is structured to progressively present the case. Boyer gives a superb Foreword about the diversity of capitalism, diversity within specific varieties of capitalism, and the nature of Japan's variety. 'Capitalism is movement, innovation, crisis, as well as institutional and technological change, as the Japanese trajectory teaches us,' he concludes (p. xxxii). Lechevalier then sets out his thesis: '(W) hereas policies inspired by neo-liberalism have been presented as a solution to the Japanese crisis (or even as the sole solution), our aim is to show that they are in fact one of the causes of the problems that Japan has faced over 30 years' (p. 1).

In Chapter 1, Tiberghien provides an overview of 'thirty years of neo-liberal reforms' in Japan, showing that they started in the early 1980s, when the Japanese economy was on the rise, and not just under pressure from US trade negotiators. The threads of Nakasone's reforms were later picked up by Hashimoto, and of course Koizumi, but each proponent, and each policy, had differing objectives, sometimes political, sometimes presentational, sometimes economic, sometimes ideological. There were also periods of counter-measures by the opponents of these policies. The stop-start nature, and different thrusts, disguise an underlying neo-liberal current.

The next three chapters look at different elements of the Japanese 'model' and how they have changed. The first is the micro-level 'J-model' of the Japanese firm, deemed both rational, and embodying a social compromise to create 'company-ism.' This is seen as being eroded, particularly under pressure from financial markets, and the fallout of the bubble burst, itself the result of poorly judged financial de-regulation. The result is increasing diversity, which can be described neither as company-ist nor post company-ist. The

following chapters move to the meso and macro levels, first looking at interfirm and public-private coordination. Here, the picture is of similar erosion, but with the hint of a recent movement towards new forms of coordination, which is picked up in the subsequent chapter on innovation. Finally, and perhaps most critically, the erosion of the social compromise is explored. This has serious consequences for inequality growth, because much of the compromise was invested in company-ism, and when this eroded, there was no (European-style) welfare state to take up the slack. (Nor was there a welfare state to unpick.) The result has been a rapid 're-segmentation' of society, and a growth in the numbers of working poor, as well as inequality.

The next section of the book looks at changes in the education system, a favourite battleground for neo-liberal ideas, but also deemed in need of change by groups with other interests. This is followed by innovation, and the appeal of Silicon Valley and the policy measures it has inspired on the one hand, and the quest for greater coordination of resources and policies on the other. The former are doomed, because there is a deeply ingrained tendency to 'intrapreneurship' inside large companies, rather than entrepreneurship through startups. Chapters on technology and globalization attempt to discredit these as causal forces, and at the same time explore the reconstitution of interfirm coordination on a regional (Asian) scale. All in all, this is not a story of climax followed by decline because of an inability to change, but rather 'one of an ambitious – but nonetheless failed – attempt to promote an institutional catching-up of Japan with the United States, after having achieved a catching-up in terms of gross domestic product (GDP) per capital' (p. 158).

As this brief synopsis suggests, the analysis is highly nuanced. It is an institutional story of incremental change leading to

grand change, often through paradox, contradiction and unintended consequences. (Recognition should be given to the translator, Arthur Stockwin, for conveying these nuances.) It accepts that some of Japan's changes were natural and indeed necessary. As such, there is more middle ground with other views than the 'neo-liberalism as cause, not solution' thesis initially suggests. It is also encompassing, with a rejection of the economy-society divide, as noted, and historically grounded. Indeed, the range of material covered is impressive.

It is not often that a book makes you sit up and reflect carefully on your own understanding of Japan, which tends to be compartmentalized, acquired piecemeal, over time, and subject to various biases. This book does that. For me its value lies in what it says about changes to the Japanese variety of capitalism on the one hand, and the insights it offers about the French *régulation* approach to varieties of capitalism on the other. It should appear in reading lists on the Japanese economy and society, varieties of capitalism and institutions.

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William Marotti, *Money, Trains, and Guillotines: Art and Revolution in 1960s Japan*, Duke University Press, Durham and London, 2013, 440 pp.

The 'money, trains, and guillotines' of the title figured prominently in the activities of a small group of avant-garde artists in early 1960s Japan. Marotti explores the origins, meaning, and consequences of their artistic activities at a critical moment in the early 1960s. His presentation is thematic rather than linear, which allows him to incorporate multiple perspectives into a complex argument, but demands a certain amount of patience from the reader.

Marotti opens the book with a quote from Imaizumi Yoshihiko's narrative of his fantasy of a failed attempt to install a glass guillotine in the outer garden of the Imperial Palace in order to execute the symbolic postwar emperor. Despite that, money is the most important of the three items listed in the title. Winding throughout the book is artist Akasegawa Gempei's attempt to challenge the existing economic and social order of postwar Japan by making 'art' out of the familiar 1000 yen note bearing the image of Shotoku Taishi. Akasegawa had one-sided, life-sized facsimiles of the thousand yen note printed in early 1963, with an invitation to a one-man show of his collages on the back. He displayed a half-finished hand-drawn version of the note, enlarged to the size of a tatami mat, in the last *Yomiuri Independant* exhibition in March 1963 and in the first group exhibition of the three person avant-garde art group Hi-Red Center two months later. He entered a coat hanger wrapped with 1000 yen notes as part of a series of wrapped objects in another exhibit, and printed several more sets of the one-sided notes. In June a version of his faux

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