

Book Review

The Great Transformation of Japanese Capitalism.

Edited by Sébastien Lechevalier (translated by J. A. A. Stockwin). Abingdon, Oxon: Routledge, 2014, p. 198+xxxv.

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A successful global entertainment franchise, “Transformers,” was developed in the 1980s from a production line of a Japanese toy maker, Takara, although those who enjoy the franchise products today may pay little attention to its East Asian origin. Academic discussion on the Japanese economy generally posits an opposite story to the robust growth of the Transformers franchise: since the early 1990s, the Japanese economy has undergone a long period of stagnation. Its systems and mechanisms are too inflexible to respond to the challenges posed by globalization, technological progress, and a series of crises (including the triple disasters in March 2011, *i.e.* earthquakes, tsunami, and nuclear accidents). Hence, Japan has been little transformed and remains in an economic plight. This kind of discussion is often followed by a loud call for implementation of further structural reforms, pointing, in many cases, to deregulation and liberalization.

The Great Transformation of Japanese Capitalism, edited by Sébastien Lechevalier (translated by a prominent expert on Japanese politics, J. A. A. Stockwin), presents a clear counterargument against such a dominant and widespread view of Japanese capitalism. According to Lechevalier, the Japanese economy has been profoundly transformed since the 1980s and, contrary to mainstream understanding, this has been achieved because of the implementation of neoliberal policies, in other words human acts and intentions. More importantly, Lechevalier and his collaborators argue that neoliberal policies, which were presented to the Japanese public as a cure for Japan’s long-term economic downturn when implemented, are the real cause of the very predicament, since they worked in a way that destabilized the system of coordination and social compromise on which Japanese capitalism flourished in the previous period. Furthermore, the transformation of Japanese capitalism through neoliberal-infused reforms has not resulted in conversion of the Japanese economy to the Anglo-Saxon or European model, and Japan still appears as “a pole of capitalist diversity” (157).

Concretely, the book begins with the preface by Robert Boyer which reviews the trend of research on the Japanese model of capitalism *vis-à-vis* the Anglo-Saxon and European models, and makes a case for Lechevalier’s effort, *i.e.* giving full scholarly attention to the Japanese trajectory in order to achieve a better understanding of the evolution of capitalism. This is followed by the introduction, written by Lechevalier, which calls for a new approach to examining Japan’s economic performance over the last 30 years. The extant discussion, Lechevalier contends, tends to be “simplistic,” “normative,” and too “cultural” in the sense that it attributes Japan’s prolonged poor economic performance to its failure, first, to adapt to a new globalized and technologically-advanced environment and, second, to deal with endogenous constraints, namely the shrinking and aging national population. To rectify these problems, Lechevalier invites us to analyze the

process of institutional reform incurred by the implementation of neoliberal policies since the 1980s by paying due attention to three different analytical levels: heterogeneity of actors, forms of coordination, and social compromise. This enables us, he argues, to learn from Japanese experiences.

The political scientist Yves Tiberghien opens up the main body of analysis by providing the reader with a concise history of “[t]hirty years of neoliberal reforms in Japan.” This chapter serves as a good reminder that the implementation of neoliberal institutional reforms in Japan is a non-linear and intermittent process that spans from the 1980s to the present and has been conditioned by both endogenous and exogenous, historically contingent factors. Then, chapters 2 and 3, solely written by Lechevalier, place once-triumphant Japanese firms, which embodied Japanese capitalism to the outer world for a long time, at the center of investigation and scrutinize whether or not the neoliberal reforms have produced the expected results with regard to transforming them. In order to understand this question, Lechevalier examines two major areas of academic discussion on Japanese firms, namely the “Japanese model of the firm,” which refers to a set of organizational principles, rationalities, and practices observed among Japanese firms; and the system of coordination operating at the levels of industrial structure (*keiretsu*, i.e. hierarchical inter-firm relations), industrial relations (*shuntō*, i.e. annual industry-wide wage bargaining), and government (i.e. industrial policy and bureau-pluralism). In terms of the Japanese model of the firm, citing the studies of Aoki, Jackson, and Miyajima (2007), Lechevalier regards the process as diversification of firms in which both J-model and Anglo-Saxon models exist as available options among others. In terms of coordination, Lechevalier concurs with the general discussion that the old coordination systems declined at all three levels, being replaced by a more market-oriented system. Yet, he also contends that such a move drove the Japanese capitalist system towards a “lack of coordination,” thereby exacerbating economic downturns in Japan, not ameliorating the situation as the reformers claimed.

Chapters 4 and 5 (the former is written solely by Lechevalier and the latter with Arnaud Nanta) then turn our attention to the destabilization of social compromise that resulted from the neoliberal reforms, as observed in the rise of inequality and the shift to a more competitive and market-oriented education system. Here again Lechevalier points out that the introduced reforms functioned in a counterproductive way: they eroded the social foundation on which the Japanese capitalist economic system operated in the earlier periods. Furthermore, he identifies some rhetorical gaps between what was manifested as a policy goal and what could be called “hidden objectives” behind the discourses. For example, education reform in the 2000s was led by a strong ideological call for the need to make the Japanese economy and society more competitive and flexible in the face of globalization, but in reality the policy introduced by the reformers was “disconnected from the reality of the problems of the education system” (113), as it was motivated by a more pragmatic concern to reduce the number of public servants and in so doing cut public expenditure.

Chapters 6 and 7, which are also written by Lechevalier, explore the adaptation of neoliberal policies in two specific areas, innovation and globalization, and further elaborate the gaps between discourses that promote neoliberal policies and observed outcomes produced by those policies. First, chapter 6 shows us that the reform of the innovation system in Japan was certainly inspired by the Silicon Valley model, but did not result in flourishing small-scale start-ups and venture capital in the areas of biotechnology and ICT. Rather, innovations in Japan have been led by medium to large firms and a limited number of elite higher education/research institutions, with government input concerning coordination in specific sectors such as personal robots. In other words, the innovation system in Japan still needs to be distinguished as being “intrapreneurial” rather than converging into the “entrepreneurial” Silicon Valley model. In a similar way chapter 7 presents a diversified and heterogeneous process of “opening-up” of Japanese capitalism, in some cases responding to the external pressures, but in the other “adapting” itself to the

changing international political economy since the end of the 1980s, in which larger multinational firms have been seeking pragmatically to accrue competitive advantage, while “to call Japan today either protectionist or mercantilist is a long way from reality” (154), again, underlining the ideological nature of the globalization discourses.

As such, going through the chapters in Lechevalier’s book leads us to face a more complex and dynamic picture of the evolution of Japanese capitalism than that generally discussed. In so doing, the book has documented more effectively and convincingly than any other recent publications in both English and Japanese that the neoliberal reforms since the 1980s in Japan constituted a political project carried out by a troop of political, business, and academic elites. Yet, strangely, the book remains completely silent about this crucial issue of neoliberalism, as corroborated by its lack of references to the discussions by D. Harvey, S. Gill, C. Clouch, and J. Peck, to name but a few. Instead, the short conclusion only provides a summary of the discussion and delineates implications of the research for the debate on the evolution of capitalism by juxtaposing “Japan” and “Japanese capitalism” (as one entity) against the Anglo-Saxon and European models. In this way, despite the emphasis that Lechevalier places on the importance of taking heterogeneity of actors into account, internal political differences, which are often reified through actors, are excluded from consideration. As a result, the final discussion on the evolution of Japanese capitalism appears somehow depoliticized. This makes us ponder whether the most important insights that we can garner from the book are not fully utilized.

Furthermore, such a void certainly raises some questions over one of the book’s final concluding points: Japan’s idiosyncratic trajectory as a capitalist economy. Lechevalier’s discussion points out that elite-led neoliberal reforms have benefited large firms in Japan in terms of increasing competitiveness and influence, which supports the thesis that neoliberal political reforms have enhanced the dominance of the ruling elite. In this sense, the Japanese case is just another example; it shares the same political objective. Yet, as a late comer, the development of capitalism was mostly led by the state and hence the Japanese trajectory exhibits some different institutional characteristics and traits in comparison with the Anglo-Saxon and European models, driving it to follow a different path in pursuit of institutional optimization. In this process, nevertheless, commonalities and differences are intricately intertwined, and this urges us to somehow temper the claim of Japan’s idiosyncrasy.

These shortcomings are, however, essentially political questions that Lechevalier, as an economist, may have left for those who specialize in the study of politics and political economy to address. In this way, the book certainly makes an important scholarly contribution by raising questions for further research.

Hiroko Takeda

Graduate School of Arts and Sciences, University of Tokyo

E-mail: takeda@gloal.c.u-tokyo.ac.jp