Journal of East Asian Studies **16** (2016), 295–301

Book Reviews

The Great Transformation of Japanese Capitalism. Edited by Sébastien Lechevalier. Translated by J.A.A. Stockwin. New York: Routledge, 2014. 240 pp. $145 (cloth).

Reviewed by Ikuo Kume, School of Political Science & Economics Waseda University
doi:10.1017/jea.2016.8

The Japanese economy has experienced a post-World War II economic miracle and then a long-term economic downturn since the burst of the bubble in the early 1990s, culminating in a "lost decade." According to the dominant view, the once-praised Japanese model of capitalism has become dysfunctional in the context of a new phase of globalization and technological revolutions. Many pundits claim that the failure of Japanese capitalism to adapt to this emerging environment by implementing neoliberal reforms is the root cause of the country's enduring crisis.

In *The Great Transformation of Japanese Capitalism*, Sébastien Lechevalier – credited as the book's editor, but also its lead author, argues that "whereas policies inspired by neo-liberalism have been presented as a solution to the Japanese crisis, … they are in fact one of the causes of the problems that Japan has faced over 30 years" (p. 1). Lechevalier emphasizes that neoliberal reform in Japan started well before the economic crisis, during the economic success of the 1980s, when the idea of the market or the "neo-liberal moment" prevailed (p. 9). Since then, "the Japanese capitalism has evolved over 30 years, and now can be clearly distinguished from the 'model' of the 1980s," but it does not show convergence towards Anglo-Saxon or European forms of capitalism (p. 2). Lechevalier contends that this transformation destabilized the coordination and complementarities of the former model, without creating new ones (p. 1), supporting his contention with an extensive review of studies on Japanese political economy including a series of his own works.

Here we can see that his interpretation is theoretically grounded on the diversity of capitalism approach, and from a political economy perspective, as exemplified by *régulation* theory (p. 161). In order to conduct a synthetic and comprehensive analysis of contemporary Japanese capitalism in transition from the perspective of the diversity of capitalism, he proposes to investigate three interrelated areas: (1) the forms of heterogeneous organization at the micro level, (2) the forms of coordination of this heterogeneity at the meso and macro levels, and (3) social compromise mediating between contradictory interests (p. 6).

This book is structured into an introduction, seven substantial chapters, and a conclusion, all following a Foreword by Robert Boyer, which reviews three decades of research on contemporary Japanese political economy. Chapter 1, by Yves Tiberghien, gives us a concise historical picture of neoliberal reforms since the 1980s. The following three chapters, all by Lechevalier, analyze the impact of the neoliberal reform in the aforementioned three areas of Japanese economy. Chapter 2 demonstrates growing diversity in Japanese firms, rather than convergence, despite neoliberal reform. Chapter 3 focuses on changes in the coordination of Japanese economy, i.e. the structure of *keiretsu*, subcontracting, the *shunto* wage negotiation, "bureau pluralism," and industrial policy. Lechevalier asserts that "the classic forms of co-ordination in Japanese capitalism … have indeed experienced a marked decay," but that "new types of co-ordination following a different logic (holding companies, fragmentation of production in Asia, new forms of collaboration in R&D between firms, and new policies of innovation)" have emerged. This confirms the persistence of coordinated nature of Japanese capitalism, although the compatibility between the new forms of

© *East Asia Institute*

https://doi.org/10.1017/jea.2016.8 Published online by Cambridge University Press

coordination is not without problems (p. 85). Chapter 4 evaluates the transformation of Japanese social compromise, the "trajectory of a country that was one of the most equal in the 1970s and that has now become one of the least equal today among OECD countries" (p. 103), and tries to find its cause in the "re-segmentation" of the labor market in Japan. Lechevalier further complements his analysis of Japanese capitalism in transition investigating the education system (Chapter 5 with Arnaud Nanta), the innovation system (Chapter 6), and Japan's adaptation to globalization (Chapter 7).

The contribution of this book is threefold. First, it substantially deepens our understanding of how Japanese capitalism has evolved since the 1980s. The author succeeds in showing a well-nuanced and balanced picture of Japanese political economy through thorough review of related empirical works. For example, he carefully follows the inequality debate in Japan, and concludes that while increasing inequality in Japan in the 1990s indicated by the Gini coefficient rise was in fact caused by the aging of the population, a rise in inequality among the young from the 2000s indicates transformation of Japanese social compromise due to labor market re-segmentation.

The second contribution of this book is its demonstration of the resiliency of diverse capitalisms today. Lechevalier's careful and well-balanced review enables him to conclude that neoliberal policies established in Japan since the beginning of the 1980s have contributed to transforming Japanese capitalism, but that "the transformation of Japanese capitalism does not signify convergence towards American or European capitalisms," and that "after an idiosyncratic trajectory, Japan still constitutes a pole of capitalist diversity" (p. 157). This book should be the must-read in the diversity of capitalism literature.

Finally, this book reinstates the value of political analysis in the study of capitalism diversity. Lechevalier's observation that Japan's transformation stems less from responses to challenges posed by globalization, technological progress, or crisis, but rather from the implementation of neoliberal reforms naturally leads him to the "political analysis" of transformation. His emphasis on the "dynamics of dominant social blocks and mediation by politicians" as an important force behind the reforms (p. 20) seems to be crucial in making sense of different trajectories of capitalism in our world.

My only complaint as a political scientist is the insufficiency of his political analysis. He seems to downplay a series of political reforms in the 'lost decade.' Although he briefly refers to the administrative reform, which has strengthened the prime minister's leadership, he ignores other political reforms. Above all, the reform of the election system, which introduced the "single-member district" system in Japan should not be sidelined. A large body of works has emerged stressing its critical impact on neoliberal reforms, based on the "median-voter thesis."

Despite this shortcoming, there is no doubt that this book makes a huge contribution in the field of comparative political economy.

Hard Choices: Challenging the Singapore Consensus. By Donald Low and Sudhir Vadaketh eds. Singapore: NUS Press, 2014. 272 pp. $24 (Paper).

Reviewed by Kai Ostwald, Institute of Asian Research and Department of Political Science, University of British Columbia
doi:10.1017/jea.2016.9

Singapore and its often-referenced "exceptionalism" have long drawn attention from social scientists, if not for the country's ostensible developmental success, then for its "policy lab" approach to addressing social, political, and economic challenges. Both the death of founding statesman Lee

https://doi.org/10.1017/jea.2016.8 Published online by Cambridge University Press