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Robert Boyer, Hiroyasu Uemura, and Akinori Isogai (Eds.) *Diversity and transformations of Asian capitalisms*. London and New York: Routledge. 2012.

Diversity and Transformations of Asian Capitalism is a true find for readers seeking an in depth and unconventional investigation of East Asian economic systems. The three editors of the work are specialists in the areas of *régulation* theory and institutional economics. The approach taken in the book thus varies from the established pattern of assuming a market-led capitalism (based on a model of the US economy) and instead details how East Asian economies vary from that model. According to *régulation* theory, there is no “base model” of capitalism; capitalism in each state arises particularly out of the evolution of its own specific set of institutions. The approach also varies from conventional economics in that capitalism is understood not as tending towards equilibrium but rather as a development occurring from crisis, with patterns of institutions emerging, maturing, and aging in between each crisis and the next.

The main theme of the book, therefore, is to see how the institutions of Japanese, (South) Korean, and Chinese capitalisms have adapted and changed since the 1997 Asian economic crisis, as well as how they have responded to the Global Financial Crisis since it began in 2007. Some of the themes addressed in the text include: differences between East Asian capitalisms and the capitalisms of Europe and North America; diversity among East Asian capitalisms; and the interdependence among East Asian capitalisms. The book does not have a single thesis but produces a range of analyses regarding the capitalisms of each of the three countries covered by the book. As such, readers hoping for a singular vision of “Asian capitalism” will be disappointed; indeed, the book demonstrates that despite geographical proximity and some shared cultural characteristics among nations of the region, Asian capitalisms are very diverse, ranging from “City Capitalism” in Hong Kong and Singapore to “Innovation-led Capitalism” in Japan, Korea, and Taiwan to “Continental Mixed Capitalism” in China. One overall conclusion from the chapters is that Japan’s ongoing recession and inability to fully recover economic strength since the early 1990’s might be a warning for the US and Europe about the importance of structural reform as the West struggles with the fallout from the sub-prime mortgage crisis.

Part I of the book is a collection of pieces on Japan. The first of these, by Toshio Yamada and Yasuo Hirano, discusses the decline of the “companyist” *régulation* mode that characterized Japan’s economy until the collapse of the bubble in the early 1990’s. Companyist Japan succeeded through the exportation of manufactures and was based on two pillars: (1) a compromise between labor and management for employment security and (2) a compromise between companies and banks for management security. In the 1990’s, this model was eroded, the chapter argues, by numerous changes both domestic and international. These changes have not yet resulted in a new *régulation* mode, and the system is now very dysfunctional. The chapter argues that Japan needs to boost domestic demand through investment in the medical and social services needed for its aging population and through increased investment in educational and research organizations (particularly those focused on social and technological innovation, environmental conservation, and food production). This would require reform of the system of distributing income and, thus, would require political will; however, the chapter argues, the companyist *régulation* that discouraged such government coordination of demand formation in Japan persists to this day, making it unlikely that the Japanese government will exert the political will necessary to resolve the problem. Sébastien Lechevalier, in his chapter, assesses the situation somewhat differently, arguing that the process of heterogenization, which began in 1991 with the inception of economic deregulation, has resulted in a Japan that is no longer companyist. However, he

argues, Japan has nonetheless failed to fully recover its economic strength because of the particular organization and practices of its corporate finance and corporate governance. He argues that although the changes instituted within Japanese corporate governance have followed the models of corporate finance and governance in the UK and USA, such changes have not resulted in an emulation of an Anglo-American model of governance; rather, he says, the current Japanese model is best described as “heterogeneous.” and has led to rising job insecurity and wage inequalities. The chapter by Akinori Isogai also deals with the piecemeal transformation of the Japanese corporate system, under way since the collapse of the bubble economy. The chapter points to uneven economic transformation (particularly in investment and corporate governance and the lifetime employment system) as a roadblock to full economic recovery. The chapter uses different terminology to describe the current Japanese economic model and analyzes the “Japanese corporate system,” within which exists a “new J-type firm,” an entity which the author defines as having introduced performance-based pay but retained lifetime employment, as distinguished from a traditional J-type firm without performance-based pay (and with lifetime employment) and from the (American) A-type firm with performance-based pay and without lifetime employment. Isogai assesses the long-running dysfunction of the Japanese economy to be partly the result of changes in supply chain systems, with some large firms decreasing their numbers of suppliers; small and medium-sized enterprises (SME’s) correspondingly increasing their numbers of clients; and (3) subcontracting generally becoming much more fluid.

Hironori Tohyama analyzes the ways in which the risks of unemployment in Japan may be mitigated, looking specifically at dynamic interactions between labor market institutions (*i.e.* legal protection against job loss), welfare spending, and the openness of the economy, which, in Japan, leads to de-industrialization. Hiroyuki Uni then looks at increasing wage inequality in Japan over the last 15 years. Prevalent notions about contemporary wage inequality in wealthy countries often highlight the increasing remuneration for skilled labor and the decreasing wages of unskilled labor, or point to globalization as having to do with the offshoring of the work of unskilled laborers. Uni finds that in Japan, however, income inequality is due to the weakening of the once-common institution of “lifetime employment” (in which individuals recruited by firms and could expect to be employed for life) and the spread of performance-based remuneration. Uni’s chapter supports a point raised by Lechevalier, namely that income inequality is growing *within* classes but not between them. Hiroyuki Uemura finishes off the Japan section of the book with a *régulationist* overview of the recession and recovery through macroeconomic variables, taking a look at the institutional changes in Japanese finance and employment in the 2000’s as well as since 2008 and proposes some conditions for establishing a new sustainable growth regime. He finds that even under the now eroded and dysfunctional companyist mode of *regulation*, some economic recovery nevertheless occurred in the early 2000’s. However, the weakness of this modest recovery was revealed in 2008, when the global financial crisis had a particularly negative effect on unemployment in Japan. According to Uemura, a new mode of *regulation* is sorely needed. Possibilities lie in innovative industries in electronics and telecommunication and in Asian integration.

Part II of the book draws contrasts between Chinese and Korean capitalisms. The first chapter asks whether the Chinese growth regime is export-led or investment-led. The subsequent chapter, by Lei Song, looks at two structural adjustments applied in China—the 2006 “indigenous innovation” policy (intended to improve technology transfer through technological investment in China) and the post-Global Financial Crisis strategy, intended to reduce reliance on exports by transitioning to domestic consumption-led growth. Both reforms are seen in this chapter as arising from the “inherent limits of Chinese-style capitalism” (p.131). In the second chapter, of this section Jian Wang, Nagendra Shrestha, and

Hiroyasu Uemura investigate one of the features of globalization—production supply chains occurring across multiple countries, also called “modularization.” This “international production sharing” is one of the features driving East Asian economic integration, and Japanese multinationals have been key investors in this kind of international production. Important European and North American markets for the goods produced by these industries slumped after 2008, but Chinese markets for these goods grew. A chapter by Chengnan Yan looks at Asian International Input-Output Tables to explore interrelations between Chinese and other Asian economies in China’s export-led growth during the 1990’s. Finally, Robert Boyer discusses the Chinese development strategy (a social compromise in which the political monopoly of the Communist party is accepted in exchange for increasing living standards) and how this strategy has affected China’s insertion into the world economy, causing a redesign of the world system. The changes the Chinese development strategy has caused include not only the moderation of inflation due to the low prices of manufactures and reduced interest rates (arguably a favorable outcome all round) but also the drastic reduction of low-skill employment opportunities (and in some cases, high-skill employment opportunities) elsewhere in the world as the jobs moved to China (favorable for China but unfavorable elsewhere). Boyer foresees problems for the long-term viability of the present Chinese accumulation regime, including extreme disparities in wealth and services, air and water pollution, and the entrenched nature of the export-led growth model even after the implementation of a domestic consumption-led growth strategy in the post-2008 era.

The first of two chapters on Korea, by Wooseok Ok and Junho Yang, questions the prevailing assumption that the post-1997 Korean economy is primarily market-led and that it is performing positively. The authors find that the market-oriented reforms introduced after 1997 interact with existing institutions in ways that are increasing the differences between exports and domestic production, large firms and SME’s, and different groups of workers. They find that despite good national economic performance, the post-1997 growth regime in Korea results in unstable investments and is entrenching income inequalities between employees of large firms, which typically do well in international trade, and SME’s, which often struggle against competition through offshoring to China. Hyungkee Kim looks at changes in the Korean economy since 1962 and finds that after the workers’ struggles in the late 1980’s, the system changed from being export-led to being “Fordist” (*i.e.* based on mass production, in which standardized products are produced in mass quantities by specialized machinery and unskilled labor). After the 1997 Asian financial crisis, the system changed again, at that time to a hybrid regime with the introduction of neoliberal policies. Kim believes the conservative government later wanted to implement further neoliberal policies but was stalled by social protests and the need to protect society from problems associated with the 2008 crisis. The Green Growth strategy of recent years (a strategy of further economic and industrial growth that aims to maintain environmental sustainability) could form the basis of a new transformation, says Kim.

Finally, the text concludes with a group of chapters on economic integration in Asia. A chapter by Yuji Harada and Hironori Tohyama talks about the *de facto* economic integration that has occurred through international production linkages and foreign direct investment among East Asian countries, focusing on the diversity of institutional arrangements within countries and the heterogeneity among firms. Hiroshi Nishi presents a theoretical study of the effects of globalization of trade and finance. Hiroyuki Uni considers the conditions underpinning monetary integration, such as ways of managing trade imbalances if exchange rates are no longer a vehicle, looking at both Europe and Asia. Se-Eun Jeong, Jacques Mazier, and Sophie Saglio then ask whether monetary integration is possible in Asia, given the heterogeneity of economies.

The chapters in *Diversity and Transformations of Asian Capitalisms* vary in their use of evidence, some chapters relying upon theoretical explorations, some presenting statistics, and others using logic and referencing other studies in building their cases. I found some of the chapters more convincing than others. The book is not an easy read, but if one is willing to put effort into interpreting the text, the reader is sure to be rewarded by the authors' insightful analyses and gain from the text not only a host of provocative ideas about how the economies of these countries function but also a deeper and more nuanced understanding of the complexities of economic policy, in general.

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