Sébastien Lechevalier (editor), *The Great Transformation of Japanese Capitalism*. London: Routledge, 2014. 240 pp., including references and index. ISBN 978-0415717663. (Hardback)

Lechevalier presents a contemporary attempt to revise perceptions of the Japanese politico-economic system, or model, as it is phrased in this volume. The Japanese economy has been struggling to revive economic growth for nearly three decades. This path can be seen as important learning curve, a natural experiment ripe for study, especially in the light of the recent falling rates of growth in most of the countries of Western Europe. Actuality, depth and significance are thus among the most positive attributes of the analyses presented.

The book consists of seven main chapters, and an introduction and conclusion. The first chapter describes the modern history of neo-liberal reforms in Japan. The second and third chapters provide a solid literature overview of the politico-economic system in Japan. The fourth chapter offers an analysis of a nature of Japanese social reforms and in chapters five and six the education and innovation systems are evaluated. Chapter seven assesses the role of globalization as a driver for economic growth in Japan.

The book contains analysis of a selection of socio-economic indicators from the Tokyo Stock Exchange, OECD and Japanese Ministry of Finance, and looks at the evolution of GDP, trade balance, outward and inward Foreign Direct Investment (FDI) and the Japanese import structure. Sometimes, the authors draw controversial conclusions. For example, the book states that 'lost decade does not prove that Japan was too much closed in upon itself, or insufficiently internationalised or liberalized, as witnessed by the significant 'advances' in the area of financial deregulation' (p.147). This statement falls outside the context of the analysis, where financial deregulation has not previously been mentioned. The reader is left to trust the author's statement at face value.

Japan has lost its pace in relation to globalization. The main signs of Japan's backwardness today are clear: the rate of replacement of old firms with new ones is exceptionally low, and entrepreneurial spirit has been shunted aside in favour of an all-out scramble to secure lifetime employment as a salaryman or *kaishain*. Seniority endorsement is a part of corporate culture in Japan, with promotions going to the oldest rather than the most able employees. Such a system fails to provide adequate incentives to the talented, and so the quality of human capital is dropping. There is empirical evidence that some of the trends that have sapped Japanese firms of dynamism are at work amongst MNC affiliates operating in Japan, as well (Kravtsova 2011; Paprzycki and Fukao 2005, 2008).

When considering the relative restrictiveness towards FDI in Japan today, it is important to keep in mind that not so long ago, during the Tokugawa Era (1603-1867), Japan experienced economic isolation at a scale comparable with former USSR or today's North Korea. Throughout that period, only Chinese and Dutch settlements in Nagasaki Harbour and the outlying islands of Ryukyu (current-day Okinawa) and Hokkaido (the northern part of Japan) were allowed to trade with China, Korea and Russia and, sporadically, with the Netherlands. During so-called 'closed country' (*sakoku*) policy, it was forbidden to trade and be engaged in trade with foreigners until 1858 (and the launch of the 'unequal treaties'), when a number of additional ports were opened for international trade (Auslin 2004). This negative and restrictive attitude towards foreign business in Japan, and therefore FDI, remained the dominant policy framework until 1899.

The marketplace for FDI is a competitive one, where nations fight to attract more advanced technologies, better qualified labour, and enhanced potential for job creation and knowledge transfer. Japan is clearly losing the fight to attract FDI to more aggressively developing nations, which have a comparative advantage in hosting labour-cost-saving foreign technologies. In this picture, Japan *is* in a league of its own, enjoying the distinctive advantages that accrue to developed economies, such as abundant domestic investment, high levels of social security and strong intellectual property rights protections. These are positive features that help to attract the technology-intensive investment that Japan needs. On the one hand, this type of investment in R&D laboratories and core technology development takes place in the headquarters of the multinational company that it is not 'easy to move'. On the other hand, it cannot be a good reason for Japan to be 'satisfied' with its low level of FDI and globalization as seemingly suggested by the statement on p.147. Therefore, in this reviewer's view, there should rather be greater pressure on the Japanese government from scientists and researchers to promote greater openness and globalization.

This volume would greatly benefit from improving the English expression and general readability.

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