THEORIZING ECONOMIC JAPANIFICATION IN THE POST-2008 CONJUNCTURE

by

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Abstract

Since Marco Polo's adventures through Asia, Japan has occupied a special place in the west's consciousness—representing an exotic "topsy-turvy" alternative to western ways of life. In the post-WWII period, mythology about Japan's political economy inspired a rethinking of the western approach to economic governance. During its unprecedented economic expansion, Japan's experience of vigorous success redefined the boundaries of western economic orthodoxy, testing the limits of the supposedly universal tenets of liberal development. Now, as its economic miracle transitions into prolonged stagnation, Japan provides a cautionary tale and model for what (not) to do when faced with the prospect of decline. This thesis examines the rise of "Japanification"—the imagined threat of economic decompression characterized by stalled growth, deflation, low interest rates, fiscal deficits, and debt deleveraging—after the 2007-08 global financial crisis in the west to advance three propositions. Firstly, in tracing its recurring role as a comparator in the west, Japan is conceptualized as a "Goldilocks imaginary" and "universal particular" for the late capitalist conjuncture—one which is concurrently, if paradoxically, exotic yet familiar. Representations of Japan serve as effective vectors for reformist imaginations of the economy in times of uncertainty and crisis, providing enough ideational antagonism to agitate (liberal western) norms without disturbing the universal morality of capitalism as a mode of production. Secondly, Japan provides insight into the future institutional composition of the western political economic contexts it is invoked in; it reveals frictions in present systems of accumulation and their possible future logics. Japanification is conceptualized as a signifier for a war of positions waged by sympathizers of Keynesian thought against prevailing monetarist, neoliberal, and Smith-Ricardian sensibilities, suggesting a future system of economic regulation characterized by monetary discretion, fiscal intervention, and industrial policy. Thirdly, albeit more conjecturally, Japanification telegraphs a shift away from neoliberalism, the liberal international order, and its constitution by advanced western industrial economies—and prospectively away from the norm of economic growth. These propositions are argued by reviewing representations of Japan in the social sciences, industry and state agency reports, and liberal financial media from the 1950s to the present day.

Lay Summary

It is assumed that the western experience of liberal capitalism constitutes the most advanced form of development—the default and "correct" way of organizing our economies, against which all other experiences are judged. This bias has constrained how policy is conducted in western economies and beyond. This thesis demonstrates through the case of Japan how the western—especially American—economic experience is constantly renegotiating itself in the face of uncertainty and crisis. In the ways that western academics, policymakers, and journalists narrate Japan's economic successes and failures since WWII—comparing it with the American or European experience and its norms—western economies demonstrate a relative backwardness or "behind-ness" to places like Japan. By focusing on the narrative of "Japanification" that emerged after the 2007-08 crisis, the western experience may be understood as it actually is: a "particular" and relative rather than "universal" and exceptional instance of capitalist development.

Preface

This thesis is the original, unpublished, independent work of the author, Brandon Takayuki Hillier. University of British Columbia Research Ethics Board approval was not required to conduct this work.

Table of Contents

List of Abbreviations

BIS	Bank for International Settlements
BoE	Bank of England
BoJ	Bank of Japan
CBI	Central bank independence
CGFS	Committee on the Global Financial System
CPE	Cultural political economy
DI	Discursive institutionalism
ECB	European Central Bank
Fed	Federal Reserve System
GDP	Gross domestic product
IMF	International Monetary Fund
IMVP	International Motor Vehicle Program
MAC	Ministry of Agriculture and Commerce
MCI	Ministry of Commerce and Industry
MITI	Ministry of International Trade and Industry
NIA	National Investment Authority
NIRP	Negative interest rate policy
OECD	Organization for Economic Cooperation and Development
QE	Quantitative easing
QQE	Quantitative and qualitative easing
TPS	Toyota Production System
UMPTs	Unconventional monetary policy tools
USICA	U.S. Innovation and Competition Act
ZLB	Zero lower bound

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To the greatest group of friends one could possibly ask for, thank you. This one is for the gents from the suburbs. I am forever representing the port we call home. Every port begins as a point—to my お母さん, あゆみ, and my 弟，コナー, this one is (the first of many) for you and お父さん.

Chapter 1: The Goldilocks imaginary: Making space for new ideas

> The West . . . is still inventing Japans to suit its own purposes—the latest of these Japans serving as a kind of stick with which to beat the rest of us.
>
> R. Taggart Murphy, *Japan and the Shackles of the Past* (2014, p. xx)

1.1 Rising in the west

This thesis examines how Japan's economic experiences produce a robust set of symbolic ideas that lend the world order, inspiring the shaping of political consensus, collective action, and institutional change in the west. This project draws on—and poses questions to—the cultural and ideational turn in political economy, using the case of Japan to study the links between ideas, semiosis, and economic institutions. It also considers the power of "other places" and the "othering of place" in producing the imaginaries that regulate material life and influence the governance of the modern economy—acknowledging the history of orientalism, the authority it continues to afford the west, and Japan's unique role as a *complicit other*. The animating concern here is the emergence over the last decade of a discourse warning of the economic Japanification of North America and Western Europe, with the subsequent chapters situating the roots of this discourse in a longer history of Japan's rise and fall as a comparator and ideal-typical development model since the end of the Second World War. This is established by reviewing representations of Japan in the social sciences, industry and state agency reports, and liberal financial media.

That Japan is a persistent object of fascination for the west is not exceptional; throughout history, many "other" places have driven—and continue to drive—western states toward trade, development, conquest, and ideological self-reflection, becoming objects which absorb competitive nervous energies and aspirations for the future. Japan has, however, exhibited a peculiarly persistent quality as a place from which the west shapes its fortunes in late modernity. A central philosophical consideration throughout this work is in understanding why the west continues producing constructions of Japan to draw comparisons and build imaginaries. I argue that Japan offers a "Goldilocks" imaginary for the current capitalist conjuncture; one that is concurrently, if paradoxically, exotic and familiar. Another phrase I will use to describe Japan's imagination is as a *universal particular*. Japan's representation serves as an effective vector for alternative and reformist imaginations of the economy in the long interregnum after the global financial crisis of 2007-08—a time characterized by uncertainty, ideological instability, and recurrent material calamity in the western heartlands of liberal economic power (Babic, 2020).

The west first encountered Japan through Marco Polo's *Il Milione*. He references the land of Zipangu during his time in Kublai Khan's court in the 13th century, supposedly populated by a fair and handsome people and containing immense quantities of gold. It is unlikely that Marco Polo set foot in Japan, with his description emerging instead from the lore surrounding the failed attempts to invade the island nation by the Yuan Dynasty's Khanate. Nevertheless, his description in *Il Milione* left a lasting impression on the European consciousness; for in the 15th century, when Christopher Columbus sought financial support from European monarchs to explore a westward passage to the East Indies, "in all negotiations and correspondence leading up to his great voyage, the practicability of reaching a 'Zipangu' which was thought to be not very far off in the 'Western Ocean' was a keynote constantly struck" (Washburn, 1952, p. 221). While it would not be until the middle of the 16th century that contact was made, Japan appeared on many European maps of this era, including on the oldest surviving globe, Martin Behaim's 1492 *Erdapfel*. In this sense, Japan functioned like Plato's Atlantis or Thomas More's Utopia as an island more fiction than fact, but inspiring political intercourse and cultural production nonetheless.

The first interaction between Europe and Japan happened by accident, made by shipwrecked Portuguese merchants in 1543. They gifted the local *daimyo* with muskets and would later return on matters of trade and religion. During missionary work that followed, Luís Fróis—a Portuguese Jesuit priest and historian—wrote his *Tratado* in 1585. While this unfinished document would not be published until its rediscovery in 1946, it provides an outstanding example of Japan's early role as a comparator—already presenting an "ideal opposite" for European habits and principles. Emmanuel Lozerand (2017, p. 232) summarizes Fróis's treatise as consisting "of 611 comparisons formulated in a few lines following a simple model—'we' (*nos*) or 'people of Europe' (*gente* or *homes de Europa*) do it this way; 'they' (*elles*), the Japanese (*Os Japões*) do it differently." He argues for how the *Tratado* presents a prototypical example of Japan being used to deconstruct "European ethnocentrism, to limit its universalist claims, to introduce a form of relativism . . . Fróis's observations prove that one can live quite well with a lifestyle that is starkly different from the European way of life" (Lozerand, 2017, p. 240). Varied examples from the *Tratado* that Lozerand notes include:

- I.6 The honour and elegance that Europeans put in their beards, the Japanese put into their hair, which they wear tied in the neck.
- II.2 In Europe, the honour and greatest asset of a young woman is her modesty and the unviolated sanctuary of her purity; the women of Japan do not care about virgin purity at all; and losing it does not dishonour them or prevent them from marrying.
- III. 13 Our children show little judgement and refinement in their manners; those in Japan do it so early that one must admire them.
- IV.25 In all things, we hate and abhor the demon; Japanese monks worship and adore him, build temples and make great sacrifices to him.

- VI. 2 Our everyday food is wheat bread; the Japanese staple is boiled unsalted rice.
- IX. 8 The flesh of the Europeans, which is delicate, heals very slowly; that of the Japanese, which is very robust, heals much better and faster from serious wounds, lacerations, pustules, or accidents.
- X. 4 Where the last pages of our books end, theirs begin.
- XIV. 21 We emphasize nouns; the Japanese verbs.

This habit of positioning Japan as an antipode to Europe—to breakdown the fallacies of universalism—continues to this day and is especially evident in its imagination after the Second World War. Japan reached the acme of its comparative role during its dramatic twentieth century economic miracle; a familiar presence in the western social sciences, it served as a robust case for deconstructing assumptions about modernization, industrial convergence, the organization of production systems, and, especially, state-market relations. These were not abstract exercises; on the contrary, from the 1960s to the 1990s Japan represented a prospective source of tangible *lessons* for the advanced capitalist economies of the west. This is emblemized most famously by Ezra Vogel's bestselling *Japan as Number One: Lessons for America* (1979), a heartened manifesto for positioning Japan as a "mirror for America," and by other studies—academic and popular books, and articles in the mainstream financial and business press—projecting the Japanese experience onto its American and European equivalent. Japanese labour organization, supplier relations, management styles, compensation programmes, foreign direct investment strategies, credit control, innovation systems, industrial and trade policies, and firm-employee relations, among other economic institutions, were compared to their western counterparts and accompanied at times by appeals to embrace the Japanese way—indeed, the world after Fordism looked increasingly "Japanized" (see Chapter 2).

As Japan's economy decompressed in the 1990s and early 2000s, its role as a comparator waned, with fewer treatises dedicated to the "Japanese model," its institutional particularities, and its lessons for the west. Until recently, it would trigger few grievances if one mused whether Japan was studied at all, so complete its absence can appear. The reason why this occurred is not difficult to understand; Japan was studied only insofar as it improved how the west conceived of itself, as an adjunct to western exceptionalism. In its economic prowess, the Japanese model had questioned the dexterity of the invisible hand in the advanced capitalist era, where its developmental pathway represented an alternative to the market-oriented imagination of the western—chiefly American—model. While capitalist, Japan expressed a putatively *étatist*, plan-oriented, and neomercantilist basis of accumulation, issuing a challenge on the grounds of economic thought—providing a scaffold from which the occident could reconstruct the logic of its liberal ideology. Entering a prolonged recession after a major asset bubble burst in the late 1980s and early 1990s, Japan lost this power and, consequently, most of its audience.

As if by replacement, the new object of fascination for the west became an explosively rising China, generating much of the same anxiety and excitement that Japan once produced—as Peter Dicken (2011, p. 30) notes, "we have become so obsessed with China that we tend to forget just how spectacular Japan's postwar economic growth really was" (and, we have forgotten about how much of China's initial growth was in fact driven by the expanding logic of Japanese capital into China; see, for example, Arrighi, 2007). China occupies the role of prospective "number one" that Japan previously fulfilled and appeals to a related conception of an alternative Asiatic capitalist model of accumulation and economic development. However, what makes the imagination of Japan interesting is its recent return in a metamorphosed form; while China has indeed become a new paradigmatic comparative case for economic growth, Japan has emerged as a lighthouse in the age of prospective decline after the 2007-08 global financial crisis, where it became a "holy grail" and "pioneer of unorthodoxy" for macroeconomic policy in the west (Gabor, 2014; Koo, 2008). For example, many of the key unconventional monetary policy tools later adopted in the advanced western world have their roots to some substantive extent in Japan's experience of stagnation, such as forward guidance, yield curve control, zero/negative interest rate policy, and, especially, quantitative easing. More ambiently, while the emphasis in western capitalism remains in cultivating a regulatory architecture which assigns private capital with the responsibility for driving social welfare, industrial organization, and technical progress, there has been a general movement—especially in the U.S.—toward expanded fiscal spending and the embrace of neomercantilism and industrial policy. Masazumi Wakatabe (2016, p. 19) notes how policy debates during Japan's lost decades echo "almost everything that their American counterparts are debating right now, from the effectiveness of fiscal and monetary policy to the structural causes of the stagnation."

Concomitant with these policy shifts in the west is the emergence of a rhetorical Japanification, haunting the fortunes of advanced western capitalist countries with the threat of slowing growth, low and negative interest and inflation rates, and increasing public debt (Chorafas, 2011; Moss, 2020). The gravity of this sentiment has shifted from a journalistic form of shorthand to an academic concern, where a key panel at the most recent American Economic Association annual meeting in 2020 was entitled 'Japanification, secular stagnation, and fiscal and monetary policy challenges'. This panel was composed of economic policy heavyweights like Mario Draghi, Janet Yellen, Larry Summers, Olivier Blanchard, and Adam Posen, with the threat of Japanification setting the table for a technical discussion of how to confront stagnation and a low-rate environment in the west. Summarizing its character, the Chief Economist of KPMG put it well in *Why the US economists are obsessed with 'Japanification'* (Financial Times, 2020a) by describing how Japan's experience serves as a "preview movie" for the rest of the world.

Prior to the crisis, however, an important discursive maneuver took place wherein the Japanese experience of stagnation was positioned as, on one hand, nominally interpretable under the same world of "textbook" conditions and empirical techniques as western economies and, on the other, a product of policy "error." While Japan's capacity for the interventions enabling its successful economic expansion had so often been attributed, at least partially, to factors unique to its culture, its experience of stagnation and prospective decline was rooted by subject matter experts in conditions which were not so narrowly underdetermined, instead tied to factors universal to capitalist economies. Moreover, framing the origins of Japan's stagnation as a product of error creates the image of governability, legitimizing prescriptions for intervention which might otherwise be prohibited under existing institutional norms. From future Federal Reserve chair Ben Bernanke to future Nobel laureate Paul Krugman to future Bank of England (BoE) Monetary Policy Committee external member Adam Posen, many prominent voices participated in establishing the conditions for this discursive shift, later serving as individuals at the forefront of encouraging interventionist policy in the west during the global financial crisis and its aftermath. More than anything, this shift made it possible to establish that the situation Japan faced during its lost decades could play out on western soil—as Krugman (1998, p. 138) put it in a prescient paper about liquidity traps, "if this can happen to Japan, perhaps it can happen elsewhere" (see Chapter 3).

Thus, Japan can be said to sit at a terminal point in time for mature economies as an ideal-type, supplying macroeconomic policy actors with an ideational basis to collectively confront uncertainty and generate proposals which expand the grounds for intervention by the state. Though not as ubiquitous as the first, this emergent second "model" is already expressing many of the same tendencies as before, with commentators espousing lessons from it for aging gracefully—an allusion to both the maturation of Japan's economic system and its greying population (Financial Times, 2020b). Evidently, the two models exist within a contiguous ideational lineage. The metamorphoses of these imaginaries reveal the transformation of anxieties and aspirations for the west, while also serving as an artifact of the interactions between policymakers, academics, politicians, media commentators, and the general public. While Japan once raised the threat of losing in the game of economic growth, it now suggests a qualitative change in the rules of the game entirely with a possible future—or at least the threat thereof—where growth ceases to be a driving political concern. These anxieties are particularly tied to the prospect of a global shift in hegemonic power from a liberal international order constituted by American leadership toward something yet to be defined, though often situated in the challenge of an emergently geopolitically powerful China.

What follows is reflection on how one goes about bridging the seemingly abstract fields of "ideas of places" and "meaning" with the material world. How do these imaginaries of Japan matter for economic life, and what can they tell us about institutional change? Moreover, what can imaginations of Japan signal about the dominant features of western liberal capitalism today, in its primary anxieties, crisis tendencies, forms of regulation, and prospective future pathways? Clearly, these domains are intertwined—and there are theoretical frameworks available to parse these relationships. For this project, much inspiration is drawn from cultural political economy and discursive institutionalism and, taken together, they serve as an orienting starting point. However, neither is accepted in their native form as a wholly appropriate basis for apprehending the relationship between semiosis and economic reality. This is evidenced in how neither framework provides a basis for acknowledging histories between the west and forms of *the other*, understood here as a historically formative relation inducing the production of meaning in the west.

1.2 Meaning, ideas, institutional change, and confronting conjunctures

The habit of using Japan as a comparator is both productive and unproductive. It is productive because it forces a confrontation of seemingly general principles—often historically embedded in the arrogance of racial and cultural superiority—with particularity. Samuel Huntington (1971, p. 295) points to the modernization of Japan as raising "the issue of how much of modernity is Western and how much of Western society is modern." The error in conflating the west with the highest cultural and industrial forms becomes quite clear when the example of Japan is comparatively studied, particularly when it contests the doxic ideals of one source of the west's power, "the economy." However, the habit becomes unproductive when the essence of Japan becomes purely one of comparative utility, losing sight of the island nation as a place rich with heterogeneous lived realities, institutional forms, ideologies, and cultural expressions. The consequences of this need not be spelled out—behind this thesis is: firstly, a desire to make the process of such comparative abstraction legible, revealing its contingent and socially constructed character; secondly, to coopt comparisons with Japan for a critical reading of how the west conceptualizes its own political economy; and, thirdly, to develop concepts to understand how the "actually existing" economy functions at present.

Advanced capitalism has been described as an *absurd* system (Boltanski & Chiapello, 2005). It relies on a constant negotiation of meaning by the agents, institutions, histories, and states involved in its production, sustaining an artifice upon which "individuals or social groups acquire certain motivations, techniques, behaviours and thought patterns which are in turn necessary prerequisites to acquiring agency in concrete life conditions" (Dörre, 2015, p. 23). More simply, capitalism relies on symbolic systems of meaning embedded in relations of power. Driving meaning are ideas and imaginaries, which are in constant negotiation with the social world for establishing what is common sense—what provides order and constitutes truth. There are two schools which most persuasively bring together the construction of meaning with the processes that structure capitalist accumulation. Discursive institutionalism (DI), a neo-institutionalist framework, provides a pragmatic basis for dealing with the transactional relationship between economic ideas and institutional change in the policy realm. Cultural political economy (CPE), specifically of the Lancaster school, draws from a range of theoretical precedents—the work of Karl Marx, Michel Foucault, and Antonio Gramsci, of *régulation* theory and critical discourse analysis—to bridge constructivism and structuration, explaining how capitalist accumulation is contingent upon semiotic practices. Both are representatives of a "cultural" and "ideational" turn in political economy, although they theorize from different histories and disciplinary centres—with DI associated with neo-institutionalist political science and CPE a product of critical sociology. In addition to these two schools, insights are drawn from critiques of orientalism and the challenge that Japan presents to them as a complicit other—hypothesizing why Japan serves as a Goldilocks imaginary and universal particular.

The reconstruction of CPE, DI, and orientalist critique provides a basis for determining a point of take-off and path to cruising altitude for this particular case, but it does not necessarily constitute a "method," requiring some further finesse to nail the approach and final landing—the point here is not simply to find a means of interpretation but to define a prospective realm of action. The origins of this project emerged first from a curiosity concerning why Japan had returned in the imagination of economic alternatives in the west. Reviewing the discursive purpose of "antipodes" and the power that orientalist conceptions play in their construction remains at the core of this thesis, with the study of Japanification providing a way to get at the broader natures of economic ideation. However, the emergence of Japanification also offers a unique threshold into the harrowingly complex dynamics of the interregnum since the global financial crisis—it is a threshold into a *conjuncture*, lending itself quite aptly to a Marxian tradition of analysis which takes seriously the overdetermined nature of events and phenomena without surrendering to either their convolution or the attendant hopelessness the reflexive social scientist can feel in trying to confront their fragility and contingent and slippery "real" (Koivisto & Lahtinen, 2012). Understanding conjunctures as "the result of a complex and fragile set of articulations, which requires various labours attempting—and always partly failing—to maintain its ever-changing shape and density," the realm of ideation is seen as a key domain constituting their unity (Grossberg, 2019, p. 58).

Ultimately, the objective of this project is to use the case of Japan's representation in the west to generate a partial understanding of the dominant and emergent logics of the present and future economic system—to unpack the discursive forces which frame the possibility of economic decline in the advanced liberal economies of the west and uncover the material-structural implications of this discourse. While underscoring its variability and (necessary) lack of a consistent formulation, Lawrence Grossberg notes that the conjunctural method—following Stuart Hall—operates within a specific level of abstraction sitting between the events of a particular moment and the tendencies of the *longue durée*, wherein the analyst constructs relations between three discrete analytical practices: a *war of positions*, the scoping of problematics that cut across positions and assemble a *problem space*, and through the construction of an *organic crisis* and the struggle over asserting a "new reality." These three interrelated practices are not simply invoked as a schema to describe and explain the social world within a given conjuncture but are a means to delineate attitudes and frictions of political possibility and emancipatory strategic action—they help us define, per Hall (2019a, p. 312), "what are the circumstances in which we now find ourselves, how did they arise, what forces are sustaining them and what forces are available to us to change them" in the "present conjuncture." One domain of relevant forces for the present conjuncture is the ideational realm of macroeconomics, where representations of Japan and the west shape the norms, stakes, futures, and possible strategies for political change.

In this project, I do not formally inherit a method of conjunctural analysis *per se*. One can argue that such analyses cannot follow a prescribed method, requiring the analyst to always describe and confront a conjuncture on their own terms. I do, however, consider my investigation congruent with the philosophy of conjunctural analysis. The conjuncture that I work with is one which is dialectically formed by the broad logics of the late capitalist epoch and the recurrent (concrete and affective) experiences of crisis shaping the experience of the global political economy over the last two decades. It is not especially bound by a particular time or space but is instead constituted by the incredible tension between broad economic dysfunction on one hand and a relative sense of coherence on the other—but this coherence is slipping, reflected in a major shift in ideology accompanied by deepening and expanding rounds of intervention enacted through state institutions. The recent composition of the conjuncture anticipates a crisis of understandings underpinning the norms of liberal capitalism in the west and intimates a future mode of economic regulation. In Grossberg's terms, the war of positions of which representations of Japan are a part is generative of a new problem space, composing a new meta-reality for individuals to relate with the subjects and objects of the economy—shifting the characteristics of the *affective* landscape, within which:

> Some experiences, behaviours, choices and emotions become possible, some 'feel' inevitable and obvious and still others are impossible or unimaginable. It defines what is allowed and what forbidden. And it is where the struggle to make new and emergent experiences liveable and knowable is carried out. (Grossberg, 2019, p. 58)

My theoretical account of ideation and institutional change broadly maintains these conjunctural themes, of which prefigures the four summary propositions described at the end of this section. I now turn to a reconstructive overview of DI, CPE, and orientalist thought.

1.2.1 Discursive institutionalism (DI)

DI provides an accessible, grounded, and coherent framework for engaging with the role of ideas in institutional change. It is easy to characterize DI as an effort "added on" to other institutional frameworks, but its primary exponent, Vivien Schmidt (2008; 2010), positions the framework as a "fourth" neo-institutionalism, alongside rational choice, historical, and sociological institutionalism. It extends an ambitious argument for how an analytical focus on ideas and discourse is integral for producing knowledge about the economy, critiquing their omission in existing approaches as a limitation of methodology.

DI considers the production of social reality through an interactional agent-centred process between *ideas* and *institutions*. Transacted between agents in different discursive communities, Schmidt casts ideas as objects that establish new norms at three different levels: policy solutions, programmes, and philosophies—the latter being "background" social assumptions only reconstituted during critical conjunctures. Ideas are either cognitive ("what is to be done") or normative ("what is good/one ought to do") and are conveyed in coordinative (policy) and communicative (political/public) discursive realms. Institutions within DI are not structures external to agents but are intersubjectively produced; members of society collectively reproduce the background of assumptions underpinning institutions while contingently exhibiting a capacity through ideation for critically engaging with these assumptions and enacting change. In practice, DI results in work that is descriptive, policy-focused, attentive to the interactions of concrete actors, and sensitive to discursive shifts that are legible in the expression of language (for example, see Blyth, 2002; Hall, 1989; Schmidt, 2016; Somers & Block, 2005; Weir, 2006).

There are two distinctions drawn from DI for this project. The first is in how *ideas contain the capacity to transgress common sense.* Schmidt is careful to acknowledge how agents are not influenced by institutions directly; instead, they carry within them a knowledge of collectively understood "institutional facts" (per Searle, 1995), expressing a kind of Boudieusian habitus—"following the intuitions of a 'logic of practice'" (Bourdieu, 1990, p. 11)—that reflects human activity as concurrently constituted and constitutive. While agents regulate themselves through their knowledge of background assumptions, they can overcome constraints through the transaction of ideas; they can use ideas through their own foreground discursive abilities as a means for reshaping the bounds of common sense. This maneuver does not resolve nor effectively bypass the structure-agency question but is, rather, an implicit critique toward what is perceived as an overemphasis on structure in other neo-institutionalist approaches—a form of institutional determinism. Ideas are not banal and ephemeral but strategically articulated and can be associated with specific projects of collective action and political objectives.

The second distinction is in how DI *theorizes the contingent relationship between economic ideas and situations of uncertainty*. In moments of crisis, new economic ideas are used to reduce uncertainty and organize collective action. Mark Blyth (2002, p. 11) emphasizes how "economic ideas provide agents with an interpretative framework, which describes and accounts for the workings of the economy by defining its constitutive elements and 'proper' (and therefore ‘improper’) interrelations”—ideas discipline contexts by supplying agents with what their interests are. Uncertainty in this context is *Knightian*; it is not that agents are uncertain because situations are highly complex, where they are still able to delineate a distribution of outcomes, but rather that situations are highly unique. As Jens Beckert (1996, p. 804) puts it, “agents cannot anticipate the outcome of a decision and cannot assign probabilities to the outcome” (see Knight, 1921). To navigate these uncertain moments, economic ideas become delegitimating tools—or, as Blyth provocatively refers to them, weapons—that decompose institutions which are deemed problematic, positioning them as the causes of economic dysfunction. New ideas then serve as “institutional blueprints” for restructuring and, after construction, create the conditions for re-establishing stability and certainty. Ideas as such act as *causal stories* which “account for the workings and the dysfunctions of the economy and allow the redefinition of an agent’s relationship to the crisis at hand” (Blyth, 2002, p. 38).

The weakness of DI stems partly from its pejorative rejection of the “postmodernist baggage” (Schmidt, 2008, p. 305) of discourse, creating superficial distinctions between discourse as text and as field of interaction. Constructing an ungrounded straw man, Schmidt describes how political scientists avoid the concept of “discourse” because of its connotations with radical strands of literary criticism; postmodernists and post-structuralists are assumed to “interpret ‘texts’ without contexts and to understand reality as all words, whatever the deeds” (Schmidt, 2008, p. 305). While citing Foucault and Gramsci, neither are engaged at a serious level in DI; an earnest engagement with Foucault’s conception of discourse in particular—one that is socially systemic, grounded in practices and particular social positions, and historically contingent—would contradict Schmidt’s caricature. Additionally, a striking omission in DI is engagement with the tradition of critical discourse analysis, which is possibly a by-product of Schmidt’s tendency to underplay "continental" conceptions of discourse with examples from the analytic tradition, by philosophers like John Searle.

Furthermore, DI provides a strong basis for description but a weak basis for constructing mid-level theory, partly because of its ambiguous account of structuration. Its categories create an excellent diagram for organizing the many elements that intuitively constitute discourse: the idea, the agent, state institutions, legislation and policy, the quality of the forums of ideational exchange (e.g., closed-door committee meetings), political organization, and the like. It generates a foundation for revealing the constructed nature of ideation and its many contingencies. However, it does not provide an adequate foundation for emphasizing the structuring moments of institutional change. This was the central point in a critique by Stephen Bell (2012), who charges Schmidt (and Blyth and Colin Hay; see Bell, 2011) with treating ideas *as* institutions. Institutions lose their ability to structure—and, as an analytical concept, to explain—behaviour at all in an account that strongly privileges the capacity for agents to transcend constraints through collective ideation. Without endorsing the full implications of Bell's critique—and, in many ways, disagreeing with the enterprise of fixing institutionalist accounts within an irresolvable structure-agency, or constructivist versus structuralism, debate—it is important to note that DI does to a degree try to "find" agency in ideas to dissolve the constraining and enabling power of institutions. Resolving this question is beyond the scope of this thesis; however, ideas are understood here as containing a highly contingent (i.e., as in conjunctures like financial crises) and only partial power of enacting change, co-constituted as they are by the institutional and material context within which they are embedded, expressed, and transacted. This thesis privileges the power of economic ideas to shift norms and structure certainty but does not readily accept a strong account of ideas so adroitly suspending the power of institutions.

1.2.2 Cultural political economy (CPE)

CPE is a critical realist framework which considers how semiotic practices produce the foundation for social relations to take place within specific periodizations of capitalism. It attempts to reconcile the role of structuration and the construction of meaning in the production of social reality by finely balancing the chaotic "real" of the world with *imaginaries* that lend the social world its appearance of order. In this context, imaginaries "are semiotic systems that provide the basis for the lived experience of an inordinately complex world" and institutions "provide the means of embedding lived experience in broader social relations and, perhaps, rendering it consistent across different social spheres" (Jessop & Oosterlynck, 2008, p. 1157). Further, acknowledging the *régulationist* past of its main authors, CPE places a central role in how semiosis stabilizes *crisis*; the inherent contradictions of the reproduction of capitalism and the value form are temporarily resolved through the production of meaning, driven by selective imaginaries and institutions. Bob Jessop and Ngai-Ling Sum are the primary exponents of this Lancaster school of CPE (Jessop, 2013; Sum, 2018; Sum & Jessop, 2013).

There are two distinctions drawn from CPE for this project. The first reflects how CPE develops the concept of *economic imaginaries as strategically institutionalized path-shaping forms*. An economic imaginary is a "semiotic order, i.e., a specific configuration of genres, discourses and styles and, as such, constitutes the semiotic moment of a network of social practices in a given social field, institutional order, or wider social formation" (Jessop & Oosterlynck, 2008, p. 1158; see also Jessop, 2013). Economic imaginaries lend formal meaning to the complex reality of the actually existing economy by selectively privileging certain understandings and—both intentionally and unintentionally—omitting others. In doing so, they provide *structured* *complexity*, or a relative institutional coherence that enables stability. They “fix” particular ways of doing things, whether micropolitical individual habits, social norms, or capital “p” Political state policies. In the context of this project, Japan’s economic experiences sometimes congeal into and constitute such an imaginary in their function of coordinating social forces toward realizing economic stability and order.

While economic imaginaries are path-shaping, they are not path-making. They are never fully implemented; even dominant imaginaries are in constant tension with competing imaginaries and the realities of the material world. There are, reflecting the strategically selective nature of institutions, “always interstitial, residual, marginal, irrelevant, recalcitrant and plain contradictory elements that escape any attempt to identify, govern, and stabilize a given ‘economic arrangement’ or broader ‘economic order’” (Jessop & Oosterlynck, 2008, p. 1158). Influenced by critical discourse analysis, imaginaries in CPE constitute the processes of variation, selection, and retention involved in semiosis, particularly during times of crisis. *Variation* refers to diverse proliferation of discourses as the sites, subjects, and stakes of ideational activity are negotiated. *Selection* refers to the moment where some of these varied discourses are chosen by actors and social forces, taking root as structural forms. *Retention* refers to when these selected discourses become institutionally embedded and reproduced, becoming truly regularized. Economic imaginaries are conceived as legible discursive phenomena—in the use of language—reflecting social practices constituted by relations of power.

The second distinction reflects how CPE *explicitly theorizes the role of crisis* in the production of meaning and selection of economic imaginaries. Under CPE, the retention of ideas is driven by the underlying requirements of capitalist accumulation; only those practices which enable the reproduction of capital and displacement of its crisis tendencies are retained. In moments of crisis, when the logic of dominant imaginations about the economy no longer align with material economic circumstances —for "economic imaginaries must have some significant, albeit necessarily partial, fit with real material interdependencies in the actually existing economy" (Jessop, 2013, p. 236)—a new moment of selection among different construals of the economy begins. Sum and Jessop (2013) make the distinction between crises *in* and crises *of* the economy. The former references a milder form of breakdown which can be resolved within the present imaginaries of the economy with nominal reform. A crisis *of* an economy is a moment that requires a complete shift in how the social world is interpreted; re-regularizing order fails because imaginaries of the economy do not adequately lend meaning to its problems, vacating the possibility of providing solutions. This can be equated to, in the terms of DI, a moment of Knightian uncertainty.

However, it is important to understand CPE's conception of crisis as one emerging from the *régulationist* approach. Capitalism is a mode of production containing contradictory social relations which are only temporarily resolved through various regulatory fixes; as Alain Lipietz (1987a, p. 18) puts it, "if social relations are contradictory in this way, the usual situation should be a crisis. In other words, crisis is the normal, natural state and non-crisis is a rather chance event." Moments of relatively structured coherence are known as *regimes of accumulation*; the *régulationist* approach emerged from the periodized study of one such regime of accumulation and its mode of social regulation, Fordism, its complementarity with the Keynesian welfare state, and its ensuing breakdown (see Aglietta, 1979). Composing crisis in this way, as a period reflecting the rule rather than the exception of the capitalist system, emphasizes its highly contingent and socially constructed nature: capitalism is a historical product rather than a natural phenomenon. This in turn enables the construction of midrange concepts within CPE that acknowledge and further refine the study of capitalism as a social phenomenon with a causally focused interpretation of conjuncturally specific empirical events.

CPE is an ambitious endeavour; so much so that it can appear unwieldy and difficult to operationalize. This is reflected in Bas van Heur's (2010) critique, which emphasizes how CPE is too focused on structure and materiality while, on the contrary, Juan Staricco (2015) criticizes CPE as being too constructivist and focused on semiosis—we will not detain ourselves with these debates, but Jessop and Sum (2010; 2017) somewhat dismissively reply to both. CPE tends toward an overly functionalist account and while providing a comprehensive framework for conducting analysis—as evident in Jessop and Sum's *Towards a Cultural Political Economy* (2013)—it is difficult to do it exhaustively as carefully defined. For the task at hand, insights from CPE are drawn somewhat *à la carte*, which may seem like an act of transgression. However, it is a framework with little room to add on to—the greater crime would be to attempt a grafting of insights from other projects onto CPE. Nevertheless, substantive conceptions are drawn from it. Semiosis and its capacity for reducing complexity and providing order, the concept of economic imaginaries (and their variation, selection, and retention), the conceptualization of crisis, periodization within the capitalist mode, and the production of structuration are accepted as more than just theoretical motifs, but drivers of the ensuing analysis, as is a shared sympathy with the project of *régulation* that preceded CPE.

1.2.3 Semiosis, comparison, orientalism: The complicit other and universal particular

The variation, selection, and retention of imaginaries and its constituent ideas compose an inherently comparative process, relying on syntheses produced through relative difference. Distance is a necessity; the space between concepts is as politically important as the concepts themselves, and the power of an imaginary is realized only when it sits in contrast with another. Throughout history, the practice of constructing a cultural other neatly facilitated the process of comparison, producing an object at a distance which usually validates and disciplines how one views their own context. In the classic formulation of orientalism, this other is usually seen as a binary *opposite*: a backward, ignoble, and underdeveloped orient contrasted with a modern, culturally advanced, rational, and industrialized occident (Said, 1978). This quality forms the basic logic of the orientalist enterprise; Stuart Hall (2019b, p. 145) suggests that such binary oppositions "seem to be fundamental to all linguistic and symbolic systems and to the production of meaning itself."

The experience of Japan largely abides by this account, providing sharp oppositions to various habits and truths in the western imagination. It can be quite persuasively read in the classical sense of orientalism described by Said, in that "the depiction of Japan as the 'other' was less about Japan than about containing challenges to and preserving the identity of the Western 'self'" (Morris, 2013, p. 137). It does, however, have some jagged edges—which direct our attention toward possible explanations for its appeal as an economic model in recent history; for Japan to the western imagination is not solely exotic and psychologically distant but is also paradoxically familiar and near, and imaginations of Japan are not marshalled to simply reproduce the dominant features of western ideologies but to generate something, if only slightly, new. Briefly, I will review how Japan's at times ambiguous position in the modern world is a product of, per Koichi Iwabuchi (1994), its complicit exoticism—its ability to strategically orientalise itself. This interpretation lends credibility to the idea that Japan provides an attractive vehicle for making ideational alternatives tenable, packaging heterodox or alternative imaginations of the economy in an appropriately exotic yet familiar and reformist receptacle.

Richard Minear (1980, pp. 515-516) observes how Japan "never experienced the naked 'authority over the Orient' which Said sees as an integral part of Orientalism," but we can nevertheless "find Orientalist attitudes even in the absence of domination." Iwabuchi (1994) expands on this contradiction by considering the ways in which Japan has culturally exoticized itself, consenting to being othered by the west but controlling its narrative by asserting a national cultural identity. In this exercise, Japan accedes to the west as a universal referent, but demands that it is acknowledged as *the* particular against which the west is measured; its challenge to the west does not deconstruct its hegemony but changes "the dichotomy of 'the West' and 'the rest' into the trichotomy of 'Japan', 'the west' and 'the rest' without changing the binary logic" (Iwabuchi, 1994, pp. 54-55).

The core collusion between the west and Japan was a mutual recognition that Japan represented collectivism while the west was characterized by its individualism. This proliferated in a variety of ways, but most notably in post-war *Nihonjinron*—non-fiction studies of Japan that identified the fundamental qualities of Japaneseness. The term refers to both Japanese and American works, such as anthropological studies like Chie Nakane's *Interpersonal Relationships in a Vertically Structured Society* (1967) and Ruth Benedicts's *The Chrysanthemum and the Sword* (1946). The latter work is understood as an especially textbook case of *Nihonjinron*, originally commissioned by the U.S. Office of War Information as a national character study and famously popularizing the distinction between "guilt" (American) and "shame" (Japanese) cultures (see Lie, 2001). Per John Dower, (1999, p. 557) these works would become a "game of antonyms . . . group harmony versus individualism, particularism versus universalism, subjectivity and intuition versus extreme ratiocination, conciliation versus litigation, vertical as opposed to horizontal social relationships, and so on."

Nihonjinron took on an explicitly political role during the Cold War, where Japan represented something of a third way between the Soviet and American models of economic development, and the "cultural characteristics which had been regarded as feudal remnants came to be evaluated positively 'as the driving force behind Japan's economic miracle'" (Mouer & Sugimoto, 1986, as cited in Iwabuchi, 1994, p. 58). The Japanese model of development did not converge with the western—dominantly liberal American—version; however, instead of recognizing the possibility of diverse pathways to modernity, the west initially chalked up Japan's success to its cultural uniqueness rather than an alternative rationality. During this time, Japan rallied behind several mantras: "*Minshuka* (democratisation) in the 1950s, *kindaika* (modernisation) in the 1960s and *kokusaika* (internationalisation) since the 1970s," with the expanding propagation of *Nihonjinron* (Iwabuchi, p. 64). As Japan began to challenge western economic hegemony, it also sought to consolidate and export its national identity, which under *kokusaika* increasingly represented a tension between concurrently reclaiming traditional Japanese values and emphasizing technological and industrial advancement. Japan continued to allow itself to be othered but what emerged was a "self-confident self-Orientalisation, which boasts about its own cultural 'hybridity'" (Iwabuchi, 1994, p. 71). While the thesis of Japan's cultural uniqueness was maintained by both itself and the west, it became increasingly fitted with conceptions that spoke to Japan's shared modernity with the western world. A careful compromise continued to be maintained: an understanding that Japan's culture was particular but without introducing too much relativism to the western formulation. Thus, Japan is a comparator that is "just right" because it provides *opposition* without disturbing the *status* of western—especially American—universalism. In this formulation, western universalism is not static; on the contrary, representations permit an at times direct confrontation of norms in the west, reshaping what the tenets of its universalism are without conceding to the relativism and prospective superiority of another imagination of the social world. This is evidenced in in many comparative academic studies of the economy in the latter half of the twentieth century (see Chapter 2) and in Japan's use as a rhetorical signifier more recently (see Chapter 3).

Also counterbalancing Japan's use as a comparator was the simpler fact that Japan looked, to put it somewhat inelegantly, like the east in the west's clothing. It had a stake in the American-led liberal international order, reflected in its status as a founding member of the Group of Seven and as a pacific ally in efforts to maintain global economic and geopolitical stability. It was (and remains) at the end of the day a resolutely capitalist nation committed to democracy. While it would be erroneous to consider Japan as somehow a member of the group of affluent nations centered around the North Atlantic, it was a privileged, if conditional, "invited" guest; Giovanni Arrighi (2010, p. 354) notes how Japan's experience represents a "perfect example of what Immanuel Wallerstein has called 'development by invitation'." The west—and specifically the United States—still had the monopoly on deciding the terms under which Japan participated, and despite Japan's growing financial power it remained at arm's-length from materially challenging western hegemony (Helleiner, 1992; Strange, 1987).

1.2.4 Four summary propositions

The following preliminary propositions guide this thesis, reflecting a common ground for constructing mid-level concepts of ideation, economic imaginaries of Japan, institutional change, and the logic governing processes of accumulation. It is worth highlighting that imaginaries of Japan concurrently *reflect* and partially *generate* ideational force—they are not necessarily themselves forces of causation though they "do the work" of advancing semiotic positions which influence the character of institutional change.

1. *Fundamentally, economic imaginaries of Japan reflect forces that displace the crisis tendencies of capital.* These imaginaries signify a *reformist* tendency, presenting heterodox but not radical ideas for regulating social order. Imaginaries of Japan aptly protect the continued reproduction and expansion of capitalism's fundamental invariants—the wage relation, relations of exchange, forces of valorization, and the constituting practices of domination driving accumulation forward—by creating logical room for alternative ideas. These imaginaries deliberately "rock the boat" but do not try to reimagine the boat itself; they are modalities of an effort to secure the continued functioning of a fundamentally *capitalist* system of accumulation and production, maintaining regimes of unequal exchange and class exploitation.

2. *Economic imaginaries of Japan structure a discourse around a prospective crisis* of *capitalist accumulation—framing a new metanarrative repositioning how individuals relate to the subjects and objects of the economy.* Particularly within the linguistic frame of Japanification and the emergence of heterodox (nominally Keynesian) monetary and fiscal policies in the west, the (re-)emergence of imaginaries of Japan are tied to a widespread anxiety in the North Atlantic region (and beyond) about the continuing prospects for economic growth. This crisis is speculative but signals a philosophical shift from "growthism" to "declinism," and a prospective situation of Knightian uncertainty in the absence of economic philosophies (and institutional infrastructures) that adequately confront decline.

3. *Economic imaginaries of Japan represent symbolic linguistic systems and are strategically produced and instituted in and from material conditions.* It is worth emphasizing that these imaginations are explicitly connected to networks of socially constituted agential practices that reflect habits, social positions, assumptions, and institutional norms—and represent relationships of power as such. They are connected to *material* economic circumstances—in that they reflect past actually existing economic circumstances in Japan (albeit in stylized form) and generate a partial fit with the contexts in which they are invoked in the west. Additionally, they are temporal systems—trading in anticipation and history, bringing

these together in the present to rationalize political projects. Imaginaries are not simple abstractions, metaphors, or rhetorical devices (though they take form as such) but are bound up in dynamic and contingent material relationships as discourses.

4. *Economic imaginaries of Japan attempt to reproduce the hegemony of the advanced capitalist countries of the North Atlantic.* Not only are such imaginaries implicated in maintaining capitalist relations in a local sense but constitute activities reproducing the (liberal) international division of power and wealth in favour of particular groups of nations—in this case, reinscribing the hegemony of the west into the global order. In addition to producing an orientalist form of knowledge production—leveraging the power of comparison as an other, however complicit—imagining Japan is also an exercise in carrying the robust structures of imperialist pasts into the future.

Per Stuart Hall (1985, p. 94), "I am inclined to prefer being 'right but not rigorous' to being 'rigorous but wrong'"—the Japanese case is a contingent expression under specific conjunctural conditions and requires a suitably bespoke account of its production and dynamism. Most importantly, interpreting the imagination of Japan requires an internalization of the brute fact that theory—especially theory which interprets economic relations—is so often applied without reference to its habitually biased centrality in and embedded exceptionalism of the western experience.

1.3 The chapters

The balance of this thesis is composed of two chapters and a conclusion. The two chapters are entitled 'The roots of Japanification: Slight return, 1950s to 1990s' (Chapter 2) and 'Mythmaking: Japanification and Keynesian revanchism, 1990s to present' (Chapter 3).

Chapter 2 periodizes Japan's emergence as a frequent comparator in western political economy from the beginning of the post-Second World War period to its diminished presence in the aftermath of the asset bubble bursting in the early 1990s, during its lost decades. The intention is to acquire an appreciation for the at-present imagining of Japanification as a “slight return” to previous imaginations of the Japanese model of growth. Representations of Japan are traced in academic debates about industrial convergence and modernization in the 1950s to 1970s, the developmental state in the 1980s, and postfordism and flexibility debates in the 1980s and 1990s. Academic debates are assumed as an important discursive space approximating the tensions between different imaginaries of the economy, serving as a background to operations of variation, selection, and retention of ideational construals. The transformation of imaginations of Japan from culture-bound cases of institutional aberrance to agitators of common sense reflects their uptake as persuasive vectors of reform, concurrent with a gradual erosion of the implicit assignment of exceptionalism toward western conceptions of economic growth. Here, the intention is to persuade the reader of Japan’s status as a *universal particular*.

Chapter 3 considers the emergence of Japanification during the long interregnum following the global financial crisis of 2007-08—an event with major, if latent and contingent, powers of ideological transformation. Using a combination of sources from the mainstream financial media, academic literature, and industry and state reports, the rise of Japanification is seen as a discourse which both reflects and actively constitutes a new basis of political reason in a time of uncertainty. Its emergence tracks with a concomitant return of Keynesian approaches to economic governance, shepherded by a specific group of influential macroeconomists—notably including the New Keynesian Nobel laureate and public intellectual Paul Krugman. Correlated with this shift in discourse is a material expansion of fiscal policy, the expansion of central banking power, and—more recently—the implementation of industrial policy in the heartlands of liberal American capitalism. While careful to emphasize that the threat of Japanification is not “causing” this policy shift, it is apparent that Japan is more than a supporting actor in the ideological drama unfolding during the post-crisis caesura—at minimum, understanding representations of Japan can orient and describe the dominant features of a prospective regulatory mode. Here, the intention is to persuade the reader of Japan's present status as an *early decliner*.

The brief concluding chapter deals with macro themes related to the implications of Japanification; namely, what do these ideological shifts mean for neoliberalism, the liberal international order, and the decline of the advanced industrial economies in the west as constitutive of the center of global hegemony. While speculative, I also briefly discuss how such representations of Japan point to the relative backwardness of western economic institutions, reviewing the *late development effect*.

Chapter 2: The universal particular and the roots of Japanification: Slight return, 1950s to 1990s

> It's easy to forget, but there was a time when beltway intellectuals and masters of the universe fixated on the idea that Japan's economic model was superior and the country would one day rule the commercial world. Time to start watching Japan closely again, this time for a lesson on inevitable decline.
>
> Daniel Moss, *Bloomberg* (2020, para. 10)

2.1 Lessons from Japan

An entire book could be dedicated to the story of Japan's imagination in the west during the postwar era. Here, we survey but three key "acts," where at each juncture it challenged "natural" assumptions about economic development, growth, and competitiveness: debates (primarily academic) about industrial convergence and modernization in the 1950s to 1970s, the developmental state in the 1980s, and postfordism and flexibility in the 1980s and 1990s. In its use as a comparator and example, Japan reveals prevailing features of western economic ideology—anxieties, patterns of thought, and normative claims—while also creating room for alternative ideas and programmes of collective action. This chapter is thus an exercise in exposition, clarifying how the post-2008 discourse of Japanification is but one iteration in a longer lineage of representation.

From the late 1950s to the 1990s, Japan offered a wellspring of lessons in achieving high rates of industrial development, capital accumulation, and financial power. Its explosive expansion was noted in *The Economist* by Norman Macrae (1967a, p. ix) as "the greatest practical research laboratory of economic growth in our time." Under the terms of a "Japanese model," market forces were disciplined through Japan's social institutions, labour and production systems exhibited a novel "flexible rigidity," and the state had a relatively outsized role in controlling industrial development. It contested the metanarrative that developing economies must "liberalize" to prosper. Initially, Japan's experience presented the possibility of a softer *conjugation* between eastern and western economic institutions. At its peak, however, Japan represented a possible terminal point of *convergence* for the liberal market economies of the west. Robert Boyer (2014, p. xiii) notes how it "was tempting to deduce . . . that the European and American economies would in the end converge towards the same [Japanese] organizational model of, on the one side, progressive and prudent liberalisation, and on the other, acceptance of greater intervention by the state." Furthermore, Japan sat at the centre of a developing international system of accumulation based in East Asia that rivaled the Fordist heartlands of the North Atlantic. While neglecting to name it a hegemon proper, Giovanni Arrighi (2010, p. 346) in his sweeping account of capitalism's cyclical global advance proposes the "Japanese capitalist class in a category of its own as the true heir of the Genoese, the Dutch, the British, and the US capitalist classes at the time of their respective great leaps forward as new leaders of systemic processes of accumulation." It would, of course, be fallacious to characterize Japan in this way today, leading a *Pax Nipponica* (Taira, 1991; Vogel, 1986). But while it is nowadays China that sits in the best position in Asia to mobilize international conditions of production, trade, and finance to its advantage, Japan is more than superficially implicated in the formation of a new geoeconomic environment centred in the "east"—and as such has played an important discursive role shifting the bounds of what economic power looks like in the present era.

The prospect of a globally dominant Japan consequently animated a robust library of work in the western social sciences—especially in heterodox political economy—which was often state-centred, mid-level, and institutionally-focused. In all cases, the goal was to uncover the foundations of Japan's advantage for the purposes of comparison. The general character of Japan's imagination within this work reflects several maneuvers useful in understanding its more recent role as a referent for confronting the prospect of decline. Firstly, representations of Japan's economy strategically flirt with both inscrutable uniqueness and generalizability—sometimes more one than the other but never straying far from a tense straddling of both. In this sense, I consider Japan as an ambiguous *universal particular* wherein it serves as a floating signifier flexibly adaptable to the general exercise of reproducing western exceptionalism—*the* particular paired with the western universal. Over time, representations of Japan have expressed a greater strength as delegates of a universal experience; however, they never fully evacuate a core logic of particularity, and have never been accepted as representing an experience decisively displacing the hegemonic logic of the western case. Secondly, narratives of Japan's economic institutions place a premium on political will. The basis of Japan's economic success was not a natural product of its social institutions *per se* but rather the result of a prolonged process of careful rationalization. In combination with its ability to function as a universal particular, Japan's experience can thus be selectively justified as a source of lessons transplantable to other contexts through similar processes of rationalization. Thirdly, inherent in essentially all formulations of the Japanese case is an implicit critique of markets. Market forces are consciously and critically embedded in Japan's institutions, defining, as Streeck (2001, p. 2) puts it in his work on "nonliberal" forms of capitalism:

> the legitimate place and possible range of market transactions in the economy-*cum*-society . . . By circumscribing and thereby limiting the role of markets, they typically "distort" them, for example by shielding desirable social conditions from market fluctuations or ensuring that such conditions result even if free markets would produce different outcomes.

Japanese economic institutions are often portrayed as containing a skepticism toward the presumed social-maximizing behaviour of market, countering the assumption that disembedded markets produce the most prosperous and efficient outcomes for a society.

These maneuvers deleverage the hold of liberal western exceptionalism over common sense concerning the economy, permitting the introduction of heterodox economic ideas. Japan's "laboratory" was "hidden from most of us in the west by a fog of incomprehension" (Macrae, 1967a, p. ix); its "discovery" presented a vernacular for challenging dominant western discourses about capitalism in late modernity. In the more recent discourse of Japanification, there are clear distinctions in Japan's representation—the most striking being its status as an exemplar for decline versus growth—but also significant continuities which speak to Japan's general power for proffering a means of advancing economic ideas that influence the boundaries of policy possibility and the assignment of political certainty, restructuring the ideational basis upon which the economy is conceived. Moreover, representations of Japan in both past and present serve not as insurgents but as reformers. There is a reactionary quality to economic ideas produced in dialogue with Japan's experience where they work to reproduce the invariant elements of the capitalist mode of production. They reconfigure the norms underpinning how economies are regulated but guarantee the continued expansion of the wage relation, relations of exchange, forces of valorization, and the constituting practices of domination driving accumulation forward.

2.2 Act I: The making of a model in the convergence debates, 1950s to 1970s

The rise of the Japanese economic model has its roots in the debates surrounding industrial convergence in the 1950s to 1970s, when the nature of Japan's economic expansion upended the bases of theories which assumed that there were but a few novel paths toward modernization.

Marshalled through the Japanese experience was an aspiration to lever out of binaries for understanding industrial organization only in terms of either the western or Soviet models, illustrating Japan as a product of its own *particular* development pathway and generative of its own institutional vernacular. The irony, of course, is that Japan would later itself become an increasingly *universalized* referent for other national economies to follow (especially in the developmental state and flexibility literature). But, more importantly, particularizing Japan established a rich context for agitating norms about economic development and social organization comparatively, revealing less the limits, assumptions, and realities of the Japanese than the western experience. The positioning of Japan's economy within the convergence debates established the grammar and method recurringly reproduced by western scholars and commentators to this day, in its function as a "mirror" and dispenser of ideational alternatives.

2.2.1 All roads lead to…

Theories of industrial convergence emanated from a distinctly Parsonian-American heyday of new modernization theories. These theories were an integrated and decidedly liberal reply to the theories of social change offered by earlier European theorists, notably those of a Marxian orientation. It was also inspired by the epistemological emergence of the "third world," as Alfred Sauvy termed it in his 1952 article in *L'Observateur*, used to assemble an ideological bulwark for the liberal capitalist model in the battle against Soviet forms of development. Francis Fukuyama, in the foreword of Samuel Huntington's reprinted 1968 work *Political Order in Changing Societies*, describes how:

> Scholars like Edward Shils, Daniel Lerner, Lucian Pye, Gabriel Almond, David Apter, and Walt Whitman Rostow saw these momentous developments as a laboratory for social

> theory, as well as a great opportunity to help developing countries raise living standards and democratize their political systems. (Fukuyama, 2006, p. xii)

Perhaps the most infamous and frequently caricaturized variety of modernization theory is Walt Rostow's seminal model of five stages of growth, although another influential iteration is the convergence hypothesis developed by Clark Kerr, Frederick Harbison, John Dunlop, and Charles Myers under the multinational "Inter-University Study of Labor Problems in Economic Development" formed in 1954 and set forth in their widely read *Industrialism and Industrial Man* (Kerr et al., 1960; see also 1955; 1971). Their thesis may be summarized as "the view that industrial systems, regardless of the cultural background out of which they emerge and the path they originally follow, tend to become more alike over an extended period of time" (Kerr et al., 1971, p. 532). While John Goldthorpe (1960, p. 117) critically describes Kerr and his associates' hypothesis as "the tendency, in fact, to think in terms of '*the* road ahead' rather than in terms of a variety of roads," Eric Dunning and Earl Hopper (1966) note how they do not necessarily discount the possibility of divergent pathways and a possible, if limited, range of concluding industrial states. Nevertheless, the prevailing thrust of their thesis is undoubtedly one which emphasizes homogeneity through a form of technological determinism—that since all nations are, or will shortly be, undergoing processes of industrialization, the entire world will converge to a tightly bounded variety of similar forms (see also Turner & Windmuller, 1998).

Focusing on the *web of rules* between the constituents of the enterprise community, including workers, managers, and state agencies, Kerr et al. delineate an end-state of "pluralistic industrialism." Bernard Karsh and Robert Cole (1968, p. 47) summarize its features:

> (a) work specialization for which scientific training and education is all important, (b) occupational professionalism, (c) flexibility and mobility of the labor force in its allocation

> to industrial processes, (d) a reward or compensation system geared to rational economic contributions, (e) the proliferation of economic bargaining between occupational or professional groups on a collective basis, (f) an all-pervasive ethic of the value of science and scientific innovation, (g) a diffusion of political power throughout the society, and (h) the release of the individual from personalized or subjective controls over his behavior both at work and outside of work.

Technology, education, large-scale enterprise, urbanization, internationalism, and the state are core forces disciplining social relations on the pathway toward this industrial end-state. In a firm rebuke of Marx, there are no class wars under pluralistic industrialism—only "bureaucratic skirmishes," where the individual enjoys great personal freedoms in exchange for conformity to certain forms of industrial and political group organization. In language at times lofty and grandiose, and in stylized and empirically ambiguous terms, what Kerr and his associates illustrate is an ideal implicitly modelled for the United States but universalizable to all contexts, in terms of its ideological optimism for a future of widespread prosperity built on liberal principles. Such sweeping analyses naturally grew low hanging fruit for critics, where "almost every proposition in the theory has been challenged" (Form, 1979, p. 4; see Alba, 1968; Blumer, 1960; Jacobs, 1971; Moore & Feldman, 1960; Portes, 1973; Walinsky, 1962; Wallerstein, 1974). Nevertheless, the thesis served as a recurring animator of debates about industrialization in the second half of the twentieth century.

Around the same time that *Industrialism and Industrial Man* was under development, James Abegglen published *The Japanese Factory* (1958). The progenitor to modern comparative analyses of Japanese industry, Ron Dore (1973, p. 31) describes it as "the first systematic study of a Japanese factory to be published in English." Primarily written as an empirical report, it provides an outline of employee-firm relations from visits to over fifty factories in Japan. Abegglen, who would later serve as a founding officer of the Boston Consulting Group and coin the term "Japan Inc.," was the first to classify "permanent"—or lifetime—employment in the Japanese system, including the storied *nenkō* tenure-based promotion and pay system. He uses the concept to explore recruitment, compensation, hierarchy, and the role of the firm in everyday life. While appearing developmentalist, investigating Japan for industrial techniques to export to other underdeveloped non-western settings, Abegglen's real interest is in deconstructing the assumption that Japan's economic success is a product of universalist institutions when, in fact, it is the product of a unique cultural history. He charges a "very considerable part of the studies of Japan" with generalization and ethnocentrism, and orients his interpretations away from the "rude alternatives" of either western or Soviet industrialization in treating Japan as a "third party" (Abegglen, 1958, p. 5). Abegglen exclusively includes empirics from Japan but throws his description into relief with the U.S., illustrating what constitutes the American employee-firm relationship—e.g., in the greater deference to market forces for functions like recruitment and wage setting—and acknowledges that "comparison with a nation like Japan may well further understanding of the United States" (Abegglen, 1958, p. 6). He concludes how it is unlikely that Japan's future development will converge with the western model, and how "it would be a daring observer indeed who would predict the outcome of the next two or three decades of Japanese events" (Abegglen, 1958, p. 139).

While not directly speaking to any specific theory of modernization or industrial convergence (although substantively influencing two major works which do dialogue directly with the convergence thesis; see Cole, 1971; Dore, 1973), Abegglen's intent is to refute lines of thinking which assume homogenous patterns of social organization from the development process. His account contradicts several key elements of Kerr and associates' end-state, with Japan's industrial system based on: an immobile labour force where workers cannot and do not typically move between different firms; a compensation system based on tenure versus one based on rational economic contribution; bargaining at the enterprise versus the occupational level; and, company interests penetrating into the non-business activities of the worker versus the professional distance characteristic of American firms. The argument of *The Japanese Factory* is emblematic of later comparative studies where Japan is positioned as an offshore case to interrogate a given institution, or the general institutional foundations, of the universalized experience of western economic organization. Indeed, the verity of the Japanese context itself is of minimal consequence versus the purpose to which it is put. For example, Abegglen's examination of lifetime employment, along with the broader context of "employer paternalism" within which lifetime employment is embedded, has been quaintly resistant to critique—with the "selective absorption of his thesis to fit the needs of American Social [*sic*] scientists" (Cole, 1973, p. 616; see also Karsh & Cole, 1968). Koji Taira (1970, p. 97) notes how "the uniqueness of employer paternalism was described by James Abegglen in 1958 and has since dominated the Western view of industrial relations in Japan." Similarly, William Form (1979, p. 15), referencing Abegglen, advances that "the uniqueness of the Japanese industrial relations system was exaggerated by early Western researchers . . . Japan's experience cannot, in my view, be used to disprove the convergence hypothesis." These critics argue that employer paternalism and lifetime employment apply primarily to large firms and are not only the product of an ingrained cultural tendency of the Japanese but are also a rational response to market conditions.

In spite of this, representations of Japan remained as thorns in the side of idealized models of industrial convergence, with the question remaining of whether, as Karsh and Cole (1968, p. 63) put it, "Japan's case [is] some kind of an aberration on a model of industrial relationships and economic development, an aberration that eventually gets corrected by the ineluctable force of technology; or does Japan represent a major model on its own terms?" Following the example set by Abegglen, Japan continued to agitate conceptions of convergence by generating a rather polemical inversion: where instead of contemplating ways to make Japan fit into the logic of western experiences and attendant theories of change, it began to represent, on one hand, an exceptional experience of development in its own right and, on the other, a prospective point for western countries to converge toward. The lead author of *Industrialism*, Clark Kerr (1983, p. 69), would later reflect on Abegglen's intervention and the Japanese case as an exception to his theory of convergence by noting "now that Japan is becoming the leading model for advanced capitalist development, it would appear likely that there will be more and more convergence toward Japanese practices by other societies." Japan was becoming a more universal model not because it was arriving at similar practices as other industrialized countries but because other industrialized countries were assuming Japan-like institutional characteristics. There are two illustrative sets of work which capture these points well. The first is the birthing of the "lessons" literature and the creation of a relatively consistent Japanese economic model, rooted in a set of long-form reports by *The Economist's* Norman Macrae in the 1960s and 1970s. The second is Ron Dore's repeated and multidimensional comparative engagement with Japan, emblematized in his exploration of the late development hypothesis in *British Factory-Japanese Factory* (1973)— the natural successor of the work that Abegglen had started over a decade before.

2.2.2 *The Economist's* Marco Polo: Lessons and projectionism

In his excellent study of the periodical, Alexander Zevin (2019, p. 291) notes how "if the nineteenth century *Economist* had looked for investment outlets in the East, by the mid-twentieth century it went in search of lessons." The "lessons" literature on Japan is perhaps best associated with academic work like that of Peter Drucker (1971), Ezra Vogel (1979), and Christopher Freeman (1987), but it was *The Economist* with a series of influential reports that deserves recognition as the precocious architect of the genre. In 1962, the periodical released a two-part survey entitled 'Consider Japan' (The Economist, 1962a; 1962b) that advanced what their correspondent "believes to be the lessons of this remarkable Japanese achievement for Britain" (The Economist, 1962a, p. 793). The initially anonymous correspondent (and later deputy editor of *The Economist*) Norman Macrae would return twice more to Japan, publishing 'The Risen Sun' (Macrae, 1967a; 1967b) and 'Pacific Century' (Macrae, 1975). The defining characteristic of these surveys—particularly the original 1962 reports—is found in how they capture a symbolic economic model which has remained relatively unmolested in the ensuing decades of writing about Japan's economy. It is a model which takes great exception to Japan's collective and interventionist economic tendencies. Whether it is the centrality of the Ministry of International Trade and Industry (MITI) in economic planning, long-term "patient" orientation of capital investment, enterprise-basis of bargaining, or observation of what would later be studied as *keiretsu* relations, Macrae's reflections speak to the resilience of representations of Japan's "collective" economic institutions in the western canon.

The surveys were the product of in situ observation. In her history of the periodical, Ruth Dudley Edwards (1993, p. 857) describes a vignette of Macrae's experience:

> Researching his first breakthrough, 'Consider Japan', he found he got little from talking to the British expatriates. Then, in a Mitsubishi factory, he accidentally came across a machine-tool salesman from Britain who told him over several drinks that Japanese workers, although paid only a third of the wages of their British counterparts, were getting three times as much out of their machines. So, before anybody else, Macrae came out with an optimistic prognosis for a country that was generally seen in the world as medieval.

It is unclear how much existing background material he drew into his reports, but they are nevertheless written from a quasi-ethnographic, journalistic point of view in an accessible style. While not the product of strictly speaking "academic" work, the observations catalogued by Macrae have persisted as structuring motifs in ensuing scholarly engagement with Japan, with the reports clearly widely read. For example, Chalmers Johnson (1982, p. 7) opens his pioneering account on the developmental state by referencing Macrae's reports, musing on how they should have instead been titled "*Consider Britain in Light of What the Japanese Are Doing*, which was in any case [their] true purpose." Moreover, Johnson identifies *The Economist* reports as the antecedents of a "projectionist" genre, which includes work like Vogel's book, along with Herman Kahn's *The Emerging Japanese Superstate* (1970) and Håkan Hedberg's *Japan's Revenge* (1972). He writes how:

> These are writers who project onto the Japanese case Western—chiefly Anglo-American—concepts, problems, and norms of economic behavior . . . This type of work is not so much aimed at explaining the Japanese case . . . as it is at revealing home-country failings in light of Japan's achievements, or at issuing warnings about the possible effects of Japan's growth on other parts of the world. (Johnson, 1982, p. 7)

In this genre we see the origins of a tendency which later becomes more universal, in the Japanese case marshalled toward comparatively understanding, lionizing, or warning of successes and failures elsewhere.

Macrae's observations—in primarily the 1962 and 1967 reports—may be broadly organized into two themes, which I categorize as *economic planning* and *collective dynamics*. Recurrent underlying themes include repeated references to Japan's strong nationalism via a unified ethnicity-based citizenship, the influence of administrative guidance over market forces, the high degree of consensus within organizational decision making, rural decline and urbanization, the high adoption of computers, and the manifestation of some of the highest life expectancies in the world through rapidly improved living standards. Anyone familiar with representations of Japan's economy will find the similarities between Macrae's observations and those made decades later striking in their consistency.

With respect to economic planning, Macrae focuses on Japan's bureaucracy, noting the strong industrial planning functions institutionalized in organizations like MITI. The bureaucracy disciplines the relations between the education system, private industry, and the state to embed a culture amenable to industrial planning: the brightest university graduates do not enter private industry but the civil service, and retiring civil servants enter high-profile leadership roles in private industry through *amakudari* (as directors of banks and large firms; see Blumenthal, 1990), creating strong links between the public and private sectors. On trade, the planning bureaucracy applies import balancing policies through highly selective and even evasive liberalization to protect domestic industries (e.g., importing cars is liberalized but importing car components is not). They prohibit foreign firms from operating in Japan, with private organizations unable to independently establish international business relationships without MITI's review and endorsement, approving all deals with foreign producers. On domestic industry and financial control, the planning bureaucracy tightly regulates the allocation of credit to develop and kill off target and non-target sectors, with quantitative industrial research strongly guiding decision making. Credit is perennially limited (although partially provisioned through high rates of household savings), and because private companies do not rely on public share capital they remain dependent on commercial and government banks. Small firms struggle to acquire bank credit and are reliant on mutual trading credit (commercial paper). The consequences of tight liquidity are ultimately born on the smallest concerns—during slowdowns, large firms can access credit while small firms go bankrupt. In terms of macroeconomic policy, Macrae observes how “easy budgets” are used to manage economic expansion, where generous national budgets accompany expansion periods (versus in the U.K., where government expenditure is tighter during expansion). Monetary—instead of fiscal—policy is used to manage overheating.

With respect to collective dynamics, Macrae focuses on the coordinated “group” mentalities arising in the relations within the firm and between firms. Like Abegglen, Macrae notes the centrality of lifetime employment and age-based promotion and pay—compared to the mobility and variability of labour and wages in the U.K. There is minimal deviation of pay among employees of the same age cohort. Employees enjoy strong social security privileges from their employer and employers enjoy worker commitment to the firm’s “group aura.” Productivity-per-head is higher in large firms than in the U.K., partly driven by a “wartime” work mentality. Collective bargaining focuses on wages and is organized at the enterprise level (e.g., there is a cross-functional factory-level union but not an occupational mechanic’s union). Firms are organized into banking groups where group loyalty underwrites tight relationships between finance and industry. Firms also have a long-term “nationalist” perspective rather than a short-term profit motivation, basing success on achieving the capture of global market share or production volume. Capital is reinvested by firms at a high rate into new machines and labour automation. Additionally, there is a separation of production and marketing functions, where firms rely on a system of trading houses for imports and exports—in 1967, 70% of exports and 80% of imports were managed through trading houses. Finally, Macrae notes the high rates of education completion among the workforce compared to the U.S. and U.K. and, in particular, the high rates of science, technology, and engineering education in business leadership.

The surveys reflect a genuine curiosity and admiration by Macrae to discover the novel features of the Japanese economic system on their own terms, but the true motivating intent is more reflective. Japan overtook the U.K. in gross domestic product by 1967, and the tone in which Macrae advances his observations is one of impatience—imploring his readers to take the country seriously as a paradigm of successful organization, with an implicit *or else* barely veiled behind the insights. In between pages chock-full of advertisements for Japanese firms from every possible industry—chemical engineering, financial services, agricultural products, cameras, and electronics—he finds in an economic system "slightly outside the mainstream of western economic thought" and "the most intelligently dirigiste system in the world today," where:

> It is with a sad depression at opportunities missed, rather than with any proprietorial pride of discovery, that your correspondent—who in a bare three weeks of purely journalistic interviews certainly was not equipped to act as a scientific task force of deep economic research—comes back now feeling like a Marco Polo with a strange and instructive story to retail of untold mysteries that he has beheld in the east. (Macrae, 1967a, p. x)

The Japanese economic landscape is translated by Macrae into one of inspired opportunity, implying that a movement in the direction of Japan would be prospectively healthy for a British economy experiencing the prospect of decline. Nascent in *The Economist* reports are a reversal of assumptions made under the industrial convergence debates; namely, that the direction of convergence flows not from east to west but perhaps the other way around.

2.2.3 Convergence in the other direction: The late development effect

While most associate Ron Dore with his work as a "first-rate Japanologist" (Shipper, 2019, p. 685), he is better defined by his careerlong interest in the *late development effect* and its powers of breaking patterns of Anglo-centric explanation—driving his multidimensional work on Japanese education, agrarian studies, land reform, urban life, employment systems, national capitalisms, financialization, and corporate governance. His finest contributions to understanding late development and industrial backwardness are found in *British Factory-Japanese Factory* (1973) and *The Diploma Disease* (1976), leveling provocative arguments against the logic of industrial convergence—at least in the western direction.

Briefly, an overview of late development is helpful. Theories of late development are most popularly indebted to a reversal by Leon Trotsky of a dictum advanced by Marx (although it is important to note that Trotsky's contemporaries also contributed to theorizing late development; notably Vladimir Lenin and Rosa Luxemburg). Marx (1976, p. 91) famously wrote in *Das Kapital* how "the country that is more developed industrially only shows, to the less developed, the image of its own future." While intuitive, Trotsky (2013) countered this claim in his theorization of uneven and combined development, proposing through the Russian experience that economically backward countries proceed not at the same clip and direction as advanced industrial countries (through a simple reproduction of the forces of development), but in combining the "latest" economic institutions of mature countries with the vernacular relations and elements of the backward country. Trotsky (2013, p. 940) notes how backwardness is a privilege, where "the absence of firmly established social forms and traditions makes the backward country—at least within certain limits—extremely hospitable to the last word in international technique and international thought." The product is not a simple closing of the gap between mature and backward nations, but the potential for the backward nation to transcend the mature nation "in certain respects" (Trotsky, 2013, p. 21; see also Davidson, 2017 for a careful reading of this point).

This is a sentiment carried into the work of the most influential theorist of late development, Alexander Gerschenkron. Gerschenkron's (1962, p. 1) objective in his hallmark essays in

Economic Backwardness in Historical Perspective (the first essay written in 1951) was to advance the hypothesis that "very significant interspatial variations in the process of industrialization are functionally related to the degree of economic backwardness that prevailed in the countries concerned on the eve of their 'great spurts' of industrial growth." His focus on Europe—notably Soviet Russia—is paired with a methodologically reflexive understanding that:

> backwardness, of course, is a relative term . . . it is only by comparing industrialization processes in several countries at various levels of backwardness that one can hope to separate what is accidental in a given industrial evolution from what can be reasonably attributed to the historical lags in a country's development. And, finally, it is only because a backward country is part of a larger area which comprises more advanced countries that the historical lags are likely to be overcome in a specifically intelligible fashion. (Gerschenkron, 1962, p. 42)

His study of backwardness privileges a persistent dynamism of relativity; as a phenomenon it works through a changing hierarchy of national spaces which have measurable differences across a normative field of 'more' and 'less' economically developed traits, and as an analytical frame it demands a comparative and relational approach to generating an intelligibility toward the features which enable 'catch-up' to take place. Importantly, his formulation privileges a role for the centralized powers of the state to generate conditions for an accelerated catch-up through intervention—via favourable domestic developmental and protectionist policies, and the like.

It is worth noting that Gerschenkron's formulation is not necessarily a natural evolution of Trotsky's. While Justin Rosenberg (2013, p. 202) states that Gerschenkron "imparted a social scientific rigour to ideas which Trotsky had expressed rather impressionistically," he curiously avoids any substantive reference to the work of Trotsky, going so far as to deem the parallels in his and Trotsky's work as a coincidence (van der Linden, 2012). Furthermore, Ben Selwyn (2011) notes how Gerschenkron and Trotsky share complementary fundamentals—in both rejecting unilinear patterns of development, theorizing the role of states and institutions in the facilitation of late development, and composing late development as an explosively disruptive and unpredictable social process—but claims that they represent opposed approaches due to Trotsky's recognition, and Gerschenkron's omission, of class analysis. With that said, Marcel van der Linden (2012) notes that it would have been impossible for Gerschenkron to have not encountered Trotsky's work as a committed Marxist student in 'Red Vienna'. An émigré to the U.S., Gerschenkron's omission of his past roots speculatively "killed two birds with one stone: he was not linked to Marxism in the United States, and he could claim more scientific originality than was due to him" (van der Linden, 2012, p. 562). While certainly of the same species, we are left with a theory of late development unmoored from the revolutionary and class-oriented basis of analysis inherent in Trotsky's formulation; moreover, what is lost is an integrated critique of the political economy of capitalism as a crisis-ridden mode of production. These are points worth exploring further in a different forum.

A more topical shortcoming in Gerschenkron's (1962, p. 7) work is his omission of non-European contexts, although on this point he devotes a rather precocious footnote: "It would have been extremely desirable to transcend the European experience at least by including some references to the industrialization of Japan." While the Japanese state's ascendence remained embryonic, he foreshadowed the latent faculty of the late development effect for explaining the state-led rise of East Asia—his insights concerning the tendency toward (bureaucratic) centralization of capital and administrative power in late developers particularly apt. This is more obliquely taken up in work on the developmental state (i.e., Johnson, 1982; Woo-Cumings, 1999), and clearly inherited in studies by theorists like Alice Amsden and Ronald Dore.

Now, to return to Dore. Throughout his career, Dore used Japan to tease out the incongruities of western economic exceptionalism. Late developers like Japan, he repeatedly contended, were unconstrained by the path dependencies of mature forms of social organization and could not only rapidly assume levels of economic development and competitiveness incumbent in nominally advanced industrial nations but could in fact transcend them. At around the same time as Abegglen's *Japanese Factory*, Dore published *City Life in Japan* (1958) and *Land Reform in Japan* (1959), both of which were heralded by reviewers as path-breaking in their respective domains, seeking to disrupt monolithic conceptions of the social world which emanate from the western experience (e.g., Ladejinsky, 1960; Passin, 1960). The former is a study of Japanese urban life from the vantage point of a Tokyo ward that Dore lived in while the latter focuses on the impacts of reforms under U.S. occupation on rural social structures. Here we begin to see the development of Dore's critique of modernization and reflection on the late development effect; while not yet as central to the arguments as in his later works, he is nevertheless keen to denude the common-sense behind modernization as a force producing uniform institutional outcomes. At the conclusion of *Land Reform*, Dore (1959, p. 401) notes how land liberalization dissolved some traditional systems of status but "without necessarily bringing greater individualism, weakening the emphasis placed on the value of group unity, or lessening the social pressures on the individual to conform to the standards of his hamlet group." In *City Life*, Dore (1958, p. 393) relatedly reflects on the emergence of distinct institutional arrangements in Shitayama-cho that force the "westerner" to "guard against the fallacy of assuming . . . that the stages of social development which Western countries have experienced are right and natural stages [where] deviation from which is somehow unhealthy." Such observations inform a theory of the unique experience of the "late developer," where the "residual Japaneseness of Japanese institutions" (to borrow an offhand remark; Dore, 1975, p. 51) melds with adapted technologies and ideologies from other places to create something deviant from the modern and western average.

In *British Factory-Japanese Factory*, Dore (1973, p. 12) summarizes his late development hypothesis as so:

> It is generally recognized that late-starters have some advantages—Germany leapfrogging over Britain in steel technology in the nineteenth century, for instance, or Japan in shipbuilding after the Second World War, starting, with her yards completely destroyed, unencumbered with all the nineteenth-century machinery which clutters the Clydebank . . . I suggest that by these processes of diffusion [of social technology and ideologies from elsewhere] late-developing societies can 'get ahead'—can show in a 'more developed' form, patterns of social organization which, in the countries which industrialized earlier are still emerging, still struggling to get out from the chrysalis of nineteenth-century institutions.

He is specifically replying to theories of industrial convergence as envisioned by Kerr et al. and John Kenneth Galbraith (1967). Dore begins his account with two pairs of appliance and machine tool factories in Japan and Britain, using an eclectic method comprising statistics, documents, interviews, and observation to sketch out the respective employment systems of each nation. This leads to the striking claim which comes off as polemical but is, in fact, laced with only a little lightheartedly smug irony:

> So much, some would say, for the fashionable sociological doctrine of 'convergence'—the view that the constraints of high technology are gradually making industrial societies indistinguishable from each other. But what about convergence from the other direction? Are there, perhaps, signs that the British system is becoming more like the Japanese? (Dore, 1973, p. 338)

Dore sees in Britain's "market-oriented" employment system a "catching up" of factors already incumbent in Japan's "organization-oriented" system, in the ways that unions are organized, training is delivered, wages are assigned, and authority flows. Whether his claims panned out (with auto-reflection in Dore, 1989; see also debates between Cole, 1978; and Dore, 1979) are, to some degree, less important than the impact his work had on how one perceived Japan's broader institutional system—to depict Japan's employment system not as aberrant but as a natural product of its institutional foundations uncorrected by the "homogenizing" force of technology.

Whatever one makes of the late development effect, its power is drawn less from its capabilities of causal deduction and more from its intellectual provocation. Much like how Merry White (2019, p. 702) describes how "Dore's work in education was meant to open eyes, to correct misconceptions, and much more: to lay out irrefutable facts and contexts, historical and sociological, that helped to place Japan in the context of other modern or modernizing societies," his invocation of late development is intended to reveal the less-than-firm occidental ground on which theories of modernization stood. Indeed, that late development remains as a mostly stylized fact in Dore's work does much to demonstrate the socially constructed and discursive contours of the mainstream theories of development it critiques—the point is to recognize the principles of difference driving the development of different economies, and to spend time less in the exercise of conceptualizing end states and more in high quality descriptive work which lends itself naturally to comparison.

2.3 Act II: The universal particular and the developmental state, 1980s

The irony of Japan's situation within debates on industrial convergence—as a case denaturing the assumed unilinear and uniform character of development—is that it would become complicit in a new variety of convergence as the primary referent. Kerr (1983, p. 69) notes how an Organization for Economic Cooperation and Development (OECD) report "concluded that the industrial relations system of Japan was gradually becoming less unique in important directions, and that other nations were learning from the Japanese experience" (see OECD, 1977). Attendant to the rise of this perception was the academic turn toward rigorously defining the Japanese growth "model" for the purposes of not just understanding and explaining but prescribing an approach countering the dominant market-oriented liberal attitude toward industrial development. This occurred during a general period of reflection on the merits of industrial and neomercantilist trade policy, especially in the orthodoxy of mainstream economics, signalled by the emergence of "new trade theory" and "strategic trade theory" and the mainstreaming of arguments refuting the logic of perfect competition and Ricardian comparative advantage. As an aside, a notable protagonist in this academic shift was the future Nobel laureate and Japan dilettante Paul Krugman, who has over time become constructively supportive of industrial policy and less defensive of the free trade position (see Krugman, 1979; see also Hirsh, 2019; Krugman, 1993; Neary, 2009). We will return to Krugman in Chapter 3.

One of the emblematic and lasting efforts of this period of research is represented in the heterodox work of Chalmers Johnson and the developmental state, where the spirit of piecemeal understandings of Japan's institutional advantage—historical, cultural, geographic, what have you—are knit together into a robustly defined and actively transacted ideal-typical whole. Here, Japan sits promiscuously between the particular and universal; particular because it continued to express institutional forms which were supposedly rooted in cultural-historical specificity, and universal because it was nevertheless increasingly drawn into narratives of change presumably replicable in western and non-western spaces alike. The developmental state literature flows in this vein of contradiction, offering a kind of universalizable model but never fully evacuating the basic assertion that Japan is fundamentally different. Furthermore, even in its character as a universal model, it remains reluctant—hewing to a tendency, as Bruce Cumings (1999, p. 90) polemically advances in his evaluation of the developmental state, how "Northeast Asia, beginning with Japan, has not exported universals. It has consumed Western universals only to pass that which it did not want." Johnson must be given some credit for designing his study for the noble purpose of objectively explaining the Japanese situation; but, as we will see, the atmosphere in which he produced his work demanded that Japan be pulled into the logic of a comparative "model" for prescription in contexts beyond. Ultimately, Japan remained inescapably a wanton product of the need to affirm western exceptionalism. The net effect was, on one hand, the use of Japan to advance a vernacular of binaries between the market and the state, and between market and group coordination—persistent stylized binaries which continue to influence how the economy is discussed and governed. On the other, Japan facilitated an intellectual frontier for considering—if not yet openly accepting—proactive forms of industrial and trade intervention in the west.

2.3.1 What is the developmental state?

The popular characterization of the developmental state today is driven by the formidable genre of "neo-Weberian" work stemming from Johnson's interpretation (i.e., Amsden, 1989; Evans, 1995; Kohli, 2004; Wade, 1990; Woo-Cumings, 1999); however, the concept also enjoys a general connection with the older tradition of neomercantilist theories of state intervention associated with Alexander Hamilton and Friedrich List. With that said, what makes the developmental state concept after Johnson distinctive is its use to describe states which are non-Anglo/non-European late developers such as Japan, South Korea, Brazil, and India. These states, while fundamentally capitalist, exhibit institutional arrangements which promote active interventionism, shaping the circumstances of their comparative advantage through policies which control the movement of capital—i.e., via selective liberalization (trade quotas and tariffs), subsidies and credit priorities directed toward domestic firms in strategically sensitive industries, supervision of inter-firm relations (gatekeeping licensing and corporate partnerships), and other "protectionist" and "nurturing" policies. These activities are underpinned by a broader political mandate of industrial rationalization, normalizing a mode of state supervision driven, typically, by a small and notionally independent bureaucracy. An important distinction often made is that developmental states are "plan-rational" versus market-oriented (also termed by Johnson as "regulatory") like the United States or plan-ideological like the Soviet Union—their interventionist industrial rationalization process is not geared toward the dogma of class struggle or in support of Marxist-Leninist teleology, instead remaining tightly coupled to supporting economic growth and the valorization of capital.

Rarer in the literature is the ready application of the label of "developmental state" upon Anglo or European countries—more often than not, western states which could be reasonably described as developmental are labelled as Listian, *dirigiste*, or "merely" neomercantilist. This hesitancy might be simply because the developmental state is, at its core, an orientalist label—constructed to measure aberrance from market-oriented governance in (mostly) industrially successful non-western countries. As Meredith Woo-Cumings (1999, p. 1) puts it at the very beginning of her volume on the topic, it is a state form which originated in East Asia as "the region's idiosyncratic response to a world dominated by the West," to which she adds that it has suffered from problems of political corruption and economic inefficiency. This is of course ironic given that her book also begins with a stirring quote by Hamilton, patron saint of the interventionist and protectionist "American School" of economics. Nevertheless, some have extended the concept to describe state formations in Europe and, more recently, the United States; for example, Michael Loriaux (1999), in the same volume as Woo-Cumings, convincingly applies the concept toward the postwar *dirigiste* French state, Amiya Bagchi (2000) includes the early modern Dutch and Bismarckian-German states in the same lineage as the Japanese and South Korean developmental states, Seán Ó Riain (2004) considers it in the Irish context, and Fred Block (2008) carefully modifies the concept to discuss the emergence of a "hidden" developmental state in late 20th century America.

2.3.2 MITI and Japan: Balancing culture, path dependency, and political will

A prime referent in progressing the modern understanding of the developmental state is Japan. Johnson's reading of Japan's postwar industrial pathway carefully balances cultural and path dependent explanations with the expression of political agency—strategically downplaying (without dismissing) the former to generate a means for conceptual universalization and prescription. His account is one which assigns a slight causal privilege to the actions of talented politicians and bureaucrats, who use their abilities at the right time and place to exert force upon the existing institutional structure, bringing to life an environment favourable to developmental state policy. Nevertheless, he is careful to repeatedly iterate that Japan's developmental state is at least partly the contingent product of its unique cultural-historical happenstance.

At the end of the 1970s, Japan's economy had truly reached the epitome of its "miracle;" production in Japan in 1962 was but one-third of the level it would achieve later in 1975, and since the beginning of the post-war period "the Japanese economy increased 55-fold" (Johnson, 1982, p. 6). Awe and admiration for Japan was slowly replaced by a sense of uncertainty and fear for the prospects of western economies, telegraphing the approaching period of hostile and at times racist "Japan bashing" which existed in tension with a desire to learn from the Japanese experience (Morris, 2013). While advocating for an "integrated program for profiting from Japan's experience," Vogel (1979, p. 232) cautions in *Japan as Number One* that:

> To expect Americans, who are accustomed to thinking of their nation as number one, to acknowledge that in many areas its supremacy has been lost to an Asian nation and to learn from that nation is to ask a good deal. Americans are peculiarly receptive to any explanation of Japan's economic performance which avoids acknowledging Japan's superior competitiveness. (Vogel, 1979, p. 226)

Johnson's book was released in this climate of contradiction, where there was great interest in the Japanese experience for its lessons but also a more unsavoury apprehension for accepting the prospect, however slight, that American hegemony was in decline. He partially navigates this terrain by composing Japan's success as neither motivated by an especially exceptional quality nor as representative of a system besting the Americans at the capitalist game; rather, the rise of Japan's developmental state is a particular response to a universal logic of global production and trade driven by the privilege of its late development. Furthermore, Johnson does not reject culturalogical readings of Japan's pathway to developmental statism *per se* but emphasizes how culture changes over time through a combination of political exertion and a degree of fortuitous chance, rejecting persistently static interpretations of culture in explanations of Japan of the *Chrysanthemum* variety. The developmental state is a genuinely Japanese invention which may be partly a product of culture, but it is a product of culture which dynamically shifted through the deliberate actions of political agents, mostly free from notions of a superior "essence" of social organization somehow implicit in Japan's social or political economic genes. "As this book has sought to show," he writes, "there was more consensus and cooperation in Japan during the 1950's than during the 1930's, which suggests that the reasons for this difference are to be found in changed historical circumstances and political consciousness and not in something as relatively unchanging as cultural mores" (Johnson, 1982, p. 313).

In addition to lightly unmooring Japan's developmental state from cultural determinants, Johnson also advances a flexible view of the causal power of institutional path dependency. To be certain, the core developmental state apparatus of interest—MITI—was a brownfield project, built from the accumulated raw matter of previous state agencies and bureaucratic initiatives. It was not willed into existence purely through top-down intelligent design but underwent a series of evolutionary steps; MITI assumed some of the precedents, powers, and personnel from the wartime Ministry of Munitions and pre-war Ministry of Commerce and Industry (MCI), which assumed such from the Ministry of Agriculture and Commerce (MAC), which assumed such from various piecemeal government bureaus under the Ministry of Finance and Ministry of Industry, and so on and so forth. Furthermore, the conditions of militarization and imperialism during the wartime period, followed by Allied occupation, were critical to testing and embedding many of the logics of postwar industrial rationalization; for example, Japan's puppet state Manchukuo became a proving ground for industrial rationalization techniques, the wartime practice of "enterprise readjustment" further implanted power into the hands of large firms (structurally subordinating small and medium sized firms through subcontracting arrangements), and key institutions of "priority production" and reconstruction setup during the occupation period which informed MITI's composition (i.e., the Board of Trade, Economic Stabilization Board, Reconstruction Finance Bank, etc.) were explicit "recreations of Japan's wartime state apparatus for the economy" (Johnson, 1982, p. 186). The precedents in centralizing oversight over critical natural inputs, finance, business organization, and production before, during, and immediately after wartime flowed into the rationality of MITI and influenced its mandate and procedure for administering industrial policy.

However, prefiguring these progressive institutional advances were bright and daring protagonists skillfully wielding political power. For example, two that he highlights early on are Yoshino Shinji and, especially, future economic manager of Manchukuo and prime minister of Japan Nobusuke Kishi, who worked at MITI antecedents MAC and MCI. They were integral in introducing ideas which oriented Japanese economic governance away from a physiocratic-agriculturalist philosophy and toward the progression of *sangyō gōrika*, or industrial rationalization. Importantly, Johnson emphasizes a process of active learning and adaptation from abroad: Yoshino had been sent to San Francisco as a young man and audited classes at Berkeley, and later traveled to Europe and back to the U.S. to learn about protective tariff policies in the chemicals industry; Kishi investigated Taylorist scientific management and Fordist production in the U.S. and industrial rationalization in Germany (with its system of trusts and cartels), where "his reports directly influenced the path it took in Japan" (Johnson, 1982, p. 108). The early iteration of *sangyō gōrika* was thus:

> a poorly digested amalgam of then current American enthusiasms . . . concrete Japanese problems . . . and the influence of Soviet precedents such as the First Five Year Plan (1928-33) and the writings of the Hungarian economist and Soviet adviser Eugene Varga . . . However, in 1930 by far the greatest influence on the Japanese theory of rationalization came from the Germans. (Johnson, 1982, pp. 105-106)

Particularly due to the German influence, rationalization generated a movement away from the logic of competition and toward a basis of cooperation between firms and the state—industrial rationalization became "synonymous with the spirit of control as a substitute for the spirit of competition, which many people believed had caused the disasters of the 1920s and 1930s"

(Johnson, 1982, p. 109). The origins of cooperation in Japan's developmental state—rather than being illustrated as a modality of a Japanese cultural bias toward coordination and group coherence—are at least partially accounted for by ideas deliberately brought in from the broader (and in this case western) world.

In walking this line between the causal power of structures of culture and history, and the capabilities of agents endowed with political power, Johnson carves out a potent space for mobilizing the developmental state as replicable elsewhere. The Japanese example was previously a case and referent that facilitated reflection and some piecemeal lesson drawing—especially in the occidental world; in the developmental state literature it remained as such, but it also assumed the features of a brazen "model" of development. Reflecting on his book later, Johnson notes this was not exactly his intention but that the intellectual climate of the time with respect to Japan demanded it: the final chapter, 'A Japanese Model?' was written to satisfy the requirements of the chief editor at Stanford University Press who, despite being told by Johnson that the focus of the book was on MITI's "hidden" historical narrative rather than its lessons for other countries, insisted that he include a "take-home message"—"the book needed a chapter that set forth a Japanese model, regardless of whether I thought creating such a model was a good idea" (Johnson, 1999, p. 43). In no uncertain terms, Johnson certainly obliged, with the following passage in this chapter worth quoting at length:

> Given the need for the United States to maintain the military balance among the nuclear powers; to reinvigorate its economy; to achieve coordination among its environmental, energy, welfare, educational, and productive policies and to stop living off its capital; Americans should perhaps also be thinking seriously about their own "pilot agency." Above all the United States must learn to forecast and to coordinate the effects of its governmental policies. Agricultural policy has for too long been left outside any integrated economic strategy; commercial and economic representatives have for too long endured

> second-class status in the State Department's hierarchy; domestic regulatory actions have for too long been taken without a prior cost-benefit analysis of their economic impact; and a growing legal thicket has for too long replaced goal-oriented, strategic thought in economic affairs. These are some of the things that an economic pilot agency might tackle in the United States. (Johnson, 1982, p. 323)

Not long after the publication of Johnson's book, a white paper by the House Democratic Caucus headed by Tim Wirth advocated for "Japanese-style industrial policy" with a "national investment program" focused on high technology, and an emphasis on restructuring manufacturing and introducing reskilling programming as a reply to Reaganite supply-side economics (Yoffie & Badarraco, 1982). The question of industrial policy was shaping up to be a "major campaign theme for the 1984 election" with Democratic senator Edward M. Kennedy creating an Industrial Policy Task Force in the Senate and with government studies organized by the Reagan administration advanced to understand Japanese industrial targeting (Auerbach, 1983, para. 3; see also Blumenthal, 1983; Fleming, 1983). And while the Reagan administration, elected to a second term in 1984, was publicly soft on industrial policy, Block (2008, p. 179) notes how of the many initiatives which actively expanded the state's role in directing industrial development and technology investment, "the vast majority of these actions occur during the free-market administrations of Ronald Reagan and George H. W. Bush." In sum, Woo-Cumings describes how the debates in the U.S. on industrial policy "owed much to the arguments Johnson made about Japan:"

> the practical effects of the developmental state paradigm have been profound in the 1990s, giving unprecedented force to American trade strategy. Indeed, the debate about the Japanese developmental state has done more than almost any other economic idea to change American foreign economic policy. Industrial policy in the East Asian context meant government policy to develop or retrench industries in order to achieve and maintain

> global competitiveness. In the American context, the term may be less goal-specific, referring to sensible public policy to improve general economic welfare, such as creating educated and skilled workforces, supporting promising industries, developing better infrastructure, and promoting effective regional policies. In either case, the concept of industrial policy looked like voodoo to the majority of professional economists, but that did not prevent the idea from making its way into the zeitgeist in the 1990s. (Woo-Cumings, 1999, p. 29).

Through the transaction of ideas under the umbrella of the developmental state concept (and the wider discourse of industrial policy) the philosophical questions originally raised by the Japanese case during the convergence debates circulated in the tangible mainstream of economic governance. This is taken further in the ensuing period of research on industrial "flexibility" and life after Fordism, of which a plateauing Japan played no small part.

2.4 Act III: Postfordism, Japanization, and the limits of Japan's universalism, 1980s and 1990s

In a time heralding the end of Fordism and the postmodern coming of age, one we also now retroactively associate as a period of neoliberalization and market revanchism, *uncertainty* was the overwhelming atmosphere disciplining the way actors transacted ideas. History offered a radical opening and the path taken toward certainty appeared to be a reactionary folding in toward the intellectual norms of the past. The promise of a more coordinated and state-oriented basis of capitalism presented by Japan gently faded during the 1990s, and the hatchet wielded by western liberal apologists was haughtily buried. It was, they proclaimed, the end of history—the American way had won, with the stagnation of Japan a cherry on a melting sundae of the Soviet Union. Nevertheless, the character of Japan's representation during the high noon of its economic power was robustly influential, if at this point somewhat tiredly parodic of its past depiction. While the world seemed to all but forget about it during its ensuing "lost decades," the reality is that the symbolic system of ideas underpinned by Japan remained latent, ripe for contingent expression—sublated rather than lost. The final episode of Japan's evolution as a model of growth and prospective point of convergence, one focused on its situation within the flexibility and postfordism debates, was an important moment ossifying the main elements of its role and character for a later time—its capacity for introducing heterodox ideas about development and economic governance, implicit critique of markets as the optimal organizing force of society, and invocation of a crisis of faith in the hegemony of the American way. This is especially illustrated in a precursor to the later post-2008 Japanification discourse: the prospect of the west's *Japanization* traded in the academy and media which, as we will see, represented an absolute limit to the (universalizing) logic of the Japanese case.

2.4.1 Japan and the rise of flexibility

"Flexibility" is, in a phrase, an at times empty signifier. It has been routinely problematized as a concept with its own set of mythologies divorced from a concrete basis of meaning; James Curry (1993, pp. 99-100) underscores how "the word flexibility is now so ubiquitous that it seems to have become an icon or incantation, its proponents forming a cult, the whole concept devolving into fetishism" where "there is a crisis of mass production, so the argument goes, and flexible specialisation is emerging, indeed, *must* emerge, to replace it." Critiques by others likes Anna Pollert (1988a; 1988b) and Martha Macdonald (1991) likewise demonstrate how the concept of flexibility serves as a boundary object simplifying various problems associated with the "rigidity" of Fordism, establishing an artificially sharp binary between the methods of the past and a limited range of possible pathways for the future. There is, perhaps, little surprise that the "discovery" of flexibility finds a capable partner in discourses about Japan's economy, forming a promiscuous hybrid playing off each's respective strengths of simplification, translation, and prescription of problems in the west. While it was by no means the only place where imaginaries of flexibility emanated from—with the "craft" regions of Germany's Baden-Württemberg and the "Emilian way" of Third Italy arguably more memorably associated with the discourse (Piore & Sabel, 1984; see Brusco, 1982; Cooke & Morgan, 1994)—nowhere quite matches the systemic way in which Japan was represented, scripted as it was in terms of an internally consistent model of accumulation, functionalist in character and national in scope.

In the 1980s and early 1990s, the west looked at Japan bifocally as a model and a menace, torn between its potential for informing a resolution to the residual dysfunction born out of the crisis of Fordism, and the fear that Japan would come to dominate the entire economic world, displacing America and threatening the liberal international order which rested upon its exorbitant hegemonic privilege. On one hand, Japan had accomplished what westerners had long dreaded. While throughout the 1970s it had increasingly expanded its ventures in the Association of Southeast Asian Nations and newly industrialized countries (emerging as the top investor in Thailand, Indonesia, and South Korea), the spectre of Japan controlling assets on North Atlantic soil remained more an alarmist fiction than tangible fact. The 1980s changed this with the progressive expansion of foreign direct investment in American and European automobile and electronics manufacturing (Steven, 1990). After the revaluation of the yen following the 1985 Plaza Accord, Japanese financial capital moved into other non-productive investments in the west, culminating in the sensationalized purchase of the Rockefeller Center in New York City in 1989 by Mitsubishi. The effect of this was most visible in American foreign policy, with David Campbell (1994, p. 147) noting how the "phantasm" of Japanese "imagery and language of threats

[came] to dominate the corridors of power in Washington and [pervaded] the cultural domains beyond. Japanese economic power was popularly considered a greater national security threat than Soviet military power, even by 1990." I defer to Narelle Morris' (2013) account of the Japan bashing era to fully appreciate the fervour emanating from the threat of a globally dominant Japan —recalling the racist and crisis-driven language of the prewar "yellow peril."

On the other hand, the example of the Japanese industrial model continued to circulate in academic realms of policy and, increasingly, ideas about the management of the firm. In particular, the discourse surrounding Japan's flexibility became as canonical as its cooperative groupishness; flexibility with, at the macro level, Japan's ability to enact sectoral market adjustments and, at the micro level, the Japanese firm's basis of production, compensation, labour organization, and the like. It was famed management theorist Peter Drucker (1971) who identified early on—along with its "consensus" decision making norms and practices of junior manager development—the flexibility in labour costs and "acceptance of change" in Japanese firms. Likewise, Abegglen, in a 1973 article in the *Globe and Mail*, noted how flexibility was "the key to continuing growth in Japan," with favourable trade balances a product of the "remarkable flexibility and responsiveness of the Japanese economy" to global trade conditions. That Japan's economy—so supposedly embedded as it was in "rigid" norms of cooperation, dense relational networks of production, and heavy-handed industrial intervention by the state—exhibited a competitive flexibility was astounding, yet another paradox that western observers conditioned by liberal norms scratched their head over. And it was this flexibility which anticipated a potential pathway forward after the crisis of Fordism in the North Atlantic—an alternative to inflexible firm-level labour and production norms and institutional compromises rigidly embedded at the level of the national Keynesian economy.

Solidifying Japan's flexible reputation, the late 1970s hosted the origins of highly influential management theory later associated with the "lean production" and "just-in-time" movement, with a central focus on the so-called Toyota Production System (TPS) and its propensity for continuous improvement and radical cost reduction. In 1979, the Massachusetts Institute of Technology created the International Motor Vehicle Program (IMVP) research initiative which codified the study of lean, later culminating in the landmark book on TPS, *The Machine that Changed the World*, by Jim Womack and his collaborators (Womack, et al., 1990). Other important initiatives included the Repetitive Manufacturing Group (and later Association of Manufacturing Excellence) initiated by the American Production and Control Society in the same year as IMVP, with contributions by Richard Schonberger (author of *Japanese Manufacturing Techniques* (1982)) and Robert Hall (author of a definitive text on just-in-time, *Zero Inventories* (1983); see Samuel et al., 2015). These texts were primarily styled for consumption by the managerial class and business executives, though carried throughout them the important exercise of, as one reviewer of Richard Pascale and Anthony Athos' *The Art of Japanese Management* (1981) put it, understanding "the problem of U.S. industrial decline relative to Japan" (Near, 1981, p. 84; see also work by Krafcik, 1988; Monden, 1983). Nick Oliver and Gillian Hunter (1998, pp. 81-82) describe how the literature surrounding lean production represents "an attempt to take Japanese methods out of their Japanese context, and elevate them to the status of universal principles that, properly applied, can produce elsewhere in the world the same outcomes as [occurring] in Japan."

The principles of competitive responsiveness and the "elimination of waste" endemic to lean production forms the basis of Japan's enrollment in the broader sociotechnical investigation into industrial flexibility, and as an adjunct to the general debate about the nature of what comes after Fordism. The first major academic work on flexibility substantively links Japan to its ideal typification—Michael Piore and Charles Sabel's pathbreaking (but contentious; see Williams et al., 1987) work of heterodox political economy, *The Second Industrial Divide* (1984), demarcated the beginning of a general fervour for investigating the principles of industrial flexibility and its promise for breaking through the structural failures in Fordism. Industrial divides are moments in history where a superior technological paradigm becomes dominant and deeply shapes the social institutions of the economy. In the *first* industrial divide of the nineteenth century, mass production became the adopted paradigm leading to a generally stable, prosperous, and democratic compact between labour, capital, and the state. Given that "the present deterioration in economic performance results from the limits of the model of industrial development that is founded on mass production," the authors posit that society has entered a *second* industrial divide prospectively defined by an ascending (and binarily opposed) "craft" form of production, which happens to better respond to the vagaries of the current era (Piore & Sabel, 1984, p. 4).

One way of incubating the widespread uptake of craft production is through the firm-level adoption of "flexible specialization," a set of production techniques—emblemized by multi-use equipment, batch production, skilled workers, industrial cooperation (e.g., the sharing of costs across an industrial community and the deliberate restricting of competition), and the like—which persisted in certain manufacturing communities throughout the world despite the preponderance of the Fordist-Taylorist paradigm. Piore and Sabel draw examples of craft production from Italian and French textiles communities, West German engineering and manufacturing regions, and Japan's machine tooling industry. The German, Italian, and Japanese cases in particular demonstrate a marked resilience and even success during the crisis of Fordism, pointing to a possible model for the future of production in the U.S., excavating the "buried historical possibilities of the American economy" (Piore & Sabel, 1984, p. 156)—which has, in its greater embedment in the rigidly specialized, deskilled, and individualistic institutions of mass production, suffered more than other countries.

While the Japanese case does not assume an especially dominant position in Piore and Sabel's account relative to the other cases, its portrayal reinforces two now familiar sentiments. Firstly, while emphasizing Japan's cultural uniqueness, the authors deleverage Japan's exceptionalism and compose it as a distinct species but within a shared genus of western industrial society—emphasizing common socioeconomic features more so than previous representations. They reveal Japan to be very much *like us* in its industrial rationality, noting how "since the 1920s the Japanese economy has been built of pieces closely related to those found in Western countries," listing similarities in Japan's institutions to those in the French *système Motte* of corporate organization, American practices of labour control and demand stimulation, and German plant communities (Piore & Sabel, 1984, p. 157). This results in an industrial amalgam where "the peculiarities of Japanese history—the nation's place in the world order, the timing of its economic development, its cultural ideas, and its vicissitudes of war" fuse "characteristics shared by other nations into a distinct Japanese economic character" (Piore & Sabel, 1984, p. 157). As before, Japan walks a convenient discursive line between the familiar and the exotic, and the particular and the universalizable. Secondly, and relatedly, Japan's exhibition of industrial flexibility is represented as the product of deliberate rationalization. While less a historical exemplar of the craft paradigm than Germany, Japan is notable for its deliberate and seemingly total embrace of flexible principles; of a "methodical character of [its] rationalization program" creating a "tradition of permanent innovation and organizational plasticity" (Piore & Sabel, 1984, p. 224). Japan's breakthroughs were not the product of historical accidents but political will, and the authors imply that that such breakthroughs can be manufactured in other contexts through a similar process of calculated effort. Exaggerating the cultural particularity of Japan persisted but the foundations for institutional success were presented as alienable from the Japanese condition, capable of being enacted elsewhere as a rational response to the competitive realities of late twentieth century global production, trade, and finance.

Flexible specialization emerged as an important approach to understanding the broader postfordism question, along with *régulationist*, and neo-Schumpeterian approaches (Amin, 1994). Taken up in these debates, Japan captured the imagination by underpinning several "isms" traded amongst its critics—Toyotism (Dohse et al., 1985), Fujitsuism (Kenney & Florida, 1993), Ohnoism (Coriat, 1992), and companyism (Ohmae, 1989) being a few choice examples (see also Peck & Miyamachi, 1994). The general spirit of Japan's enrollment in these concepts was based on the assertion that "Japanese capitalism," as Alain Lipietz (1987b, p. 137) wrote, "did not simply catch up with the USA; it overtook it by discovering a new post-fordist way of translating the skill of its producers, both manual and intellectual, into productivity." This position was not without its skeptics, emblemized by, for example, Andrew Sayer's (1989, p. 666) proposal that mass production was "alive and well in Japan;" as an aside, Sayer was one of but a few observers acknowledging the clear western ethnocentrism in formulations of postfordism, suggesting that "taking more notice of Japan will enable us, like anthropologists returning home from the field, to see our own societies with new eyes" (Sayer, 1989, p. 691; see also Sayer, 1986). Regardless of one's opinion of whether the concatenating crises of Fordism constituted the rise of something qualitatively new, the "risen sun" served as an important cornerstone of these debates. But the lyricism and energy in Japan's invocation was certainly drawn from the possibility of it superseding the North Atlantic way.

The most prominent work establishing this position in mainstream academic thought is by Martin Kenney and Richard Florida, who in the late 1980s and early 1990s published a series of papers exploring Japanese production from a *régulation* inspired perspective culminating in their book *Beyond Mass Production* (1993). This work properly situated Japan's economic system as a specifically and holistically *postfordist* arrangement, underpinned by a "Fujitsuist" form of organization. Importantly, this was not a kind of "super" Fordism relying on a more efficient realization of value from existing social relations and (mass) production norms, but rather a qualitatively novel and conjuncturally distinct mode of regulating industrial production. They term this new model *innovation-mediated production*, characterized by five dimensions: an emphasis on mental versus physical labour; the importance of collective versus individual knowledge; acceleration of innovation; continuous process improvement ("*kaizen*"); and "the blurring of the lines between the R&D lab and the factory" (Kenney & Florida, 1993, p. 14). This model is not simply synonymous with the Japanese experience but is instead representative of how "Japan, like the United States before it, has gone the furthest toward generalizing the new model across the broad spectrum of its industrial structure and broader political economy"—the place where it has been cultivated to the most advanced degree (Kenney & Florida, 1993, p. 15). Furthermore, the authors claim that Japan's system is diffusing across the western world—proposing the rise of a new international division of labour based around it. Like Piore and Sabel, Kenney and Florida argue that a total paradigm shift in production is afoot; however, they go further in asserting the specific contours of the shift by pointing reverently at the Japanese experience as its schema.

2.4.2 Enter Japanization

All this amounts to the arrival of a subgenre of work which can be subsumed under the label, *Japanization*. We can segment the Japanization literature into three parts. One was the general, at times uncritical, proliferation of work in management theory and industrial sociology which assumed in some way, shape, or form that western industrial systems were restructuring toward forms of social organization endemic to Japan, with varying hypotheses concerning the extent of wider sociocultural transformations—of the Womack et al. or Kenney and Florida variety. The second, and the most tangible and everyday, was the vastly uncritical and floating discourse produced in the mainstream western media about an encroaching Japan, which latched onto the Japanization label as a kind of boundary object of discontent—a part of the broader Japan bashing trend. One only needed to scan the headlines of any major newspaper to see that the Japan question had invaded the public consciousness at a level previously unseen, and with a nascent dimension of *menace*. We will turn to this shortly. The third can be understood as a critical response to these first two parts—a kind of sober corrective—emblemized by the work of what Samuel et al. (2015) call the British "Japanization School," which we shall briefly conclude with (i.e., Ackroyd et al., 1988; Bratton, 1992; Dickens & Savage, 1988; Elgar & Smith, 1994, Oliver & Wilkinson, 1988; 1992; Sayer, 1989; Turnbull, 1986; Wood, 1993).

During this time, representations of Japan traded the earlier principle of *suggesting alternatives* for the more antagonistic proposition of *inevitable transformation*, completing a reversal in thought about the fate of western economies implied by Dore decades earlier. In so doing, they reveal an absolute limit to the Japanese case within western imaginaries of the economy, where it teetered between its use to plot the dynamics of change and as a kind of curse word against the prospect of decline in the west. The latter meaning took precedence in the everyday realm, laying bare the extractive logic of the western world's conception of Japan and its sublated logic of racism from a past time. In the first and last instance, Japan could only ever be a culturally exotic particular, unable to transcend its preordained role as a heterotopia for frustrations of the universal liberal western experience and denied the chance of ever becoming a universal in its own right. In its worst applications in the media during the 1980s and early 1990s, Japanization served as a marker and discursive midwife for many of the xenophobic anxieties of an economic invasion by Japan, echoing a usage found earlier in the twentieth century before the First World War; it proliferated in a fearmongering capacity then as it did decades later.

In 1903, a war correspondent named George Lynch published an article entitled 'The Japanisation of China', where he discusses his experience in Beijing during the occupation of the city by the Eight-Nation Alliance in 1900. The city had been divided into various districts administered by the nations of the alliance (Germany, Russia, France, Italy, Austria-Hungary, Britain, the U.S., and Japan). Impressed by the administration of the Japanese quarter, Lynch witnesses in the following years an apparent "mission of Japan to bring China as it were into the sphere of her intellectual, moral, and social influence" with the increasing diffusion of Japanese culture into China (Lynch, 1903, p. 218). There is an undertone of a "yellow peril" to Lynch's observations, where he describes the opening of Japanese shops in Beijing as a "commercial invasion" and highlights the increasing military influence in the region (and the loss of "British prestige"), although his overall message is more comparatively sympathetic to Japan than that of many of his contemporaries (see Lynch, 1905).

This language continued in the mainstream, with various appeals to accept or defend against the Japanization of Asia. At a meeting of the German Asiatic Society in Berlin in 1904, a certain Herr von Krabner, director of the Shantung Mining and Industrial syndicate, "declared that the Japanisation of China is inevitable" (Reid, 1905, p. 634). In the wake of the Russo-Japanese War, fought over imperial aspirations in Manchuria and Greater Asia, the total victory of the Japanese elicited warnings of an "Asia for the Japanese" (Singh, 1910). Japanization was not only an Asian question either; even during the First World War, where Japan was a member of the Allied Powers, a piece entitled 'The Jap in California' in *The Globe* notes frictions in a town near Sacramento triggered by the opening of Japanese shops:

> There were three large general merchandise stores in the town, owned by whites. Today two of these stores are held by the Japanese, and the lone white man has computed the hour of his own demise. He says that within five years the Nipponese will put him out of business. His store, too, will become Japanized. (The Globe, 1913, p. 6)

The consequences of this fear of Japan's growing cultural and commercial influence are perhaps best emblemized by conduct at the highest levels of international relations, when Japan's Racial Equality Proposal at the Paris Peace Conference following the First World War was snubbed, setting the table for Japan's disillusionment of the west in the years leading up to the Second World War (see Shimazu, 2002).

After the war, the term faded in the mainstream media though continued to surface in academic treatments of Japan's cultural and economic affairs with other countries *ex post facto*. However, it reappeared with a progressively hostile timbre during the Japanese economic miracle. One early usage was in the *South China Morning Post* in 1975, which spoke of "the 'Japanisation' of California" and the "invasion" of Japanese capital into the state, evaluating whether the rate of investment would continue after the global recession (South China Morning Post, 1975, p. 20). References to Japanization acquired momentum in the early 1980s after mentions in *Bloomberg Businessweek* (regarding the Japanization of capital spending of an IBM subsidiary in Japan;

1981), the *New York Times* (in a profile of French advisor Jacques Attali, with the author opining that "the Japanization of French industry will fail;" Safire, 1982, para. 10), and the *Financial Times* (reporting on a union agreement with Ford which represents "one of the most significant steps in the 'Japanisation' of US industry" due to its provision of benefits like lifetime job security; Hargreaves, 1982, p. 18). These milder declarations evolved after an NBC special on the "high tech shootout" between America and Japan in the semiconductors industry; reporting on it, Tom Shales of the *Washington Post* describes how the "electronic Japanification of the West" represents an "economic war," the stakes in the U.S. being the threat of becoming "an underdeveloped country" (Shales, 1982, para. 1-4). Such invocations of Japanization were self-flagellating, with the term tied to critiques of faltering American economic power and its "search for quick fixes ranging from overt protectionism to half-baked 'reindustrialization' schemes designed to 'Japanize' the U.S.A.," though were nevertheless intended to stoke unease (Rowen, 1983, para. 1).

Following the Plaza Accord, Japanization became connected to finance; when a trust majority-owned by the Industrial Bank of Japan (BoJ) bought a large privately-held securities dealer in America, Leonard Silk (1986, para. 1) of the *New York Times* asked whether such moves represented the "Japanization, of the American economy? Is Tokyo, as a financial center, overtaking New York and London?" On the other side of America, California continued to serve as a geographic imaginary at the thresholds of Japanization with the "California Purchase," where by 1989 analysts estimated that Japanese money owned as much as 50% of the Los Angeles' downtown business district, characterized moreover by the purchase of major Hollywood studios by Japanese conglomerates (i.e., Sony buying Columbia Pictures, Matsushita Electric buying MCA; see for example Maney, 1989; Matas, 1989; Ries, 1990). In a rare positive take on Japan's buy-ups in California, Jesse Hill Ford (1990, p. 14A) in *USA Today* nevertheless cannot resist using tropes about the traditional samurai ethic:

> From the Land of the Rising Sun, the hero who will set all things right has ridden into Tinseltown—quietly to be sure. His saddlebags are loaded with gold, and he's in the local saloon, asking all the right questions. True, he wears a three-piece suit, but packed away and soon to be revealed are his traditional warrior costume and weaponry.

And she goes on, concluding how "the Japanization of Hollywood, well under way, promises to be the greatest change for the better ever imposed on Tinseltown if, as it happens, traditional Japanese values are brought to bear."

The term appeared in reference to other western contexts, too. The *Financial Times* reported on Japanization efforts at Italian car manufacturers (Buxton, 1983; Financial Times, 1983) and *El País* (1985) observed a denial of Japanization in Spain despite the implementation of quality control circles at Motor Iberica. The same threat of Japanization supposedly loomed over wary German carmakers (Davies, 1986). During strikes at a U.K. Ford plant, the main message was directed "not at the wicked Tory government" but against the "Japanization of this company," where "a group of pickets unfurled a banner reading: 'We're Brits. Not Nips'" (Hamilton, 1988, para. 7-9). In Australia, Japanization took on an explicit narrative of menace and xenophobia with citizens of Gold Coast "facing a threat of invasion" by Japanese purchases of land (Kingston, 1988, p. 1). The "invasion" was most notably covered by the *Sydney Morning Herald*, with sensational headlines like 'Japanisation becomes a national catchcry' (Totaro, 1988), but the events also made headlines in the U.S. with the *Financial Times* (1988, p. 24) describing how the Japanese "dominate" the purchase of tourist projects. In Canada, reporters for *The Globe and Mail* likewise spoke of the "Japanification of cherished tourist spots" like Banff (Milner &

Moore, 1989, p. B1). At international organizations like the Asian Development Bank, the increased power of Japan over its operations drew the ire of officials in the Reagan administration, who preferred providing financial assistance contingent on the adoption of structural adjustment, critiquing the Japanized direction of the bank's lending into public-sector projects (Tenorio, 1988). One begins to get the point: Japanization was global and threatening to erode the very foundations of western norms and, perhaps, identity.

The British Japanization School may be understood as a sober response to the mainstream persona of Japan in both the media and the aforementioned work in management theory and industrial sociology. The main thrust was to debate the merits of Japanization as an actually existing phenomenon and, if it was deemed ungrounded in material conditions of change, consider why the narrative carried ideational power. Peter Turnbull (1986) is recognized as one of the first to use the term in an academic context, describing the Japanization of production relations at British firm Lucas Electrical—in its adoption of just-in-time module production systems. This inspired a conference at Cardiff Business School organized by Nick Oliver and Barry Wilkinson in 1987 called 'The Japanization of British Industry', with a widely cited book of the same name published the year after by the two organizers drawing on content from the conference (Oliver & Wilkinson, 1988). The book acknowledges the messiness of the concept but accepts that, on one hand, the British production system is adopting some Japanese production techniques and that, on the other, the adoption of these techniques results in a shift in broader social relations which to a degree echo the Japanese basis. They identify Japan's industrial practices and relate them to developments in the British context, focusing on a variety of norms like total quality control, *kaizen*, management accounting, recruitment and training, compensation, communication practices, economic time horizons, the dual structure of the economy, and supplier relations. In the

1992 edition, Oliver and Wilkinson conclude that “there is strong evidence of the Japanization process at the level of individual companies” although admit “the 1991 survey did not show as fast an advance in use of [Japanized] methods as the 1987 study would have predicted, and actually indicated a *decline* in the usage of some of them . . . the clear implication of these results is a gap between rhetoric and reality” (Oliver & Wilkinson, 1992, pp. 316-317).

Adjacent to the publication of *The Japanization of British Industry* was a special issue in *Industrial Relations Journal* in 1988 with a much more critical flavour, prodding this rhetorical delta. The lead article by Stephen Ackroyd et al. (1988) sets the tone by casting doubt on the actual existence of Japanization in the British context by defining three forms (direct, mediated, and permeated) and positioning each in turn as exaggerated from reality, with the phenomenon best understood as a discursive product of the perceived threat of Japanese capital to western capital. In the same issue, Peter Dickens and Mike Savage (1988, p. 61) describe Japanization as a “chaotic conception” and (following Sayer, 1984) a “bad abstraction” within which they find “no compelling general reasons why the social relations and the forms of manufacturing now adopted in many Japanese companies should be transferred to Britain” (Dickens & Savage, 1988, p. 66). In her contribution, Pamela Briggs (1988) identifies a utopian idealism for Japanese working practices in the west by describing five “illusions” of their success (job for life, company loyalty, worker contentedness, group success, and humble management)—which, even if reflective of the Japanese situation, are unsuitable for diffusion in the British context. Ian Graham (1988), in the concluding contribution, goes further to speculate how Japanization in its diverse forms serves as a cornerstone for a *mythology* which reduces uncertainty—in the sense of Roland Barthes’ (1957) proposition that a myth is a form of depoliticized speech which denies history and cultural particularity. The discourse functioning in, for example, the implementation of just-in-time or lean production initiatives, supports "organisational changes to be implemented as an imperative, claiming that they must be introduced to defeat foreign competition" where the "techniques of [just-in-time] management are actually part of a wider movement towards a pseudo-consensus political system in the West" (Graham, 1988, p. 74). He continues:

> the continual linking in the mass media of "Japan" with "industrial competitiveness" leads each individual's understanding of "Japanese production management techniques" to converge on "efficient production management techniques which must be applied in Western companies if they are to remain competitive." The adjective "Japanese" creates an imperative for introducing changes in working practices. (Graham, 1988, p. 74)

Graham's description is by now familiar and captures the general character of the Japanese mythos in political economy more generally.

2.5 Curtain call: From late developer to early decliner

What happened next achieved its own form of lore; in short, expanded speculation produced an intense bubble during the late 1980s, characterized by "the simultaneous rise in stock and land prices, economic activity, and money supply" (Okina et al., 2001). In 1989, real estate prices in Tokyo were so high that the land the Imperial Palace stood on was allegedly worth more than all real estate in California, and the Nikkei index reached an all-time high of 38,957.44. In the early 1990s, while confidence remained stubbornly elevated for the continued prospects of economic growth, prices of stocks and real estate would significantly collapse, the average growth rate fell, and Japanese capital outflows would decline. The causes of the bubble remain points of debate, irreducible to a single set of factors; an interpretation by researchers at the BoJ (including Masaaki Shirakawa, who became the 30th governor of the Bank from 2008-2013) indicate that the primary causes stem from a complex combination of "aggressive" financial institutions, deregulation, inadequate risk management, introduction of a "capital accord," protracted monetary easing, taxation, hubris, and an "over-concentration of economic functions on Tokyo, and Tokyo becoming an international financial center" (Okina et al., 2001, pp. 408-409). With that said, a narrative frequently asserted by western economists, policymakers, and commentators in particular—one discussed in the next chapter—is that the bubble and subsequent stagnation of the lost decades was the product of policy meekness, inaction, or failure by the BoJ. These are positions rooted in work by then-rising voices of macroeconomics like Adam Posen, Ben Bernanke, and Paul Krugman, and their collaborators—positions which are staunchly rebutted by Shirakawa.

In any case, the bursting of the bubble coincided with the mill of opinions about Japan grinding to a halt. The reeling back of pithy fearmongering was predictable; more peculiar, however, was the evacuation of work on the Japanese economic experience in the social sciences. To be certain, the Japanese case remained in dialogue with significant theoretical developments in the latter half of the 1990s and the early 2000s—perhaps the most important being the varieties of capitalism rubric and associated work on comparative capitalisms. In this literature, Japan served as a visible case of a "nonliberal" or "coordinated market" form of capitalist organization. But it only really operated as a case alongside the seemingly more important one of Germany, which in gross domestic product (GDP) terms was less than half the size of Japan's economy in 2000 (i.e., see Hall & Soskice, 2001; Streeck & Yamamura, 2001). Indeed, the only areas which seemed to accept Japan's sudden change in fortunes as an important empirical curiosity were heterodox macroeconomics and late *régulation* work—although the latter was in decline at the time (i.e., Peck & Miyamachi, 1994, but continuing with interventions primarily by Robert Boyer; see especially Boyer & Yamada, 2000).

This silence is less peculiar when viewed from a wider cultural perspective. Morris (2013, p. 121) identifies the period following Japan's sudden stagnation as one of "Japan passing," a term originally used in 1995 to describe how "the United States was not only surpassing Japan economically but was also bypassing it in favour of engagement with other nations, notably China." This was a multidimensional phenomenon represented by, for example, the 37% decline in articles about Japan in the *New York Times* or the omission of Japan in President Bill Clinton's 1997 State of the Union address—on this, Morris additionally notes a quite literal "passing" of Clinton over Japan on route to China during a diplomatic mission, spending ten days there versus an earlier three-day visit to Japan. What happened in the social sciences academy can be seen as a function of Japan passing, a withdrawal beyond the explanation of an ordinary faddishness of research agendas—although Japan certainly suffered from what Henry Wai-chung Yeung (2007, p. 340) has called "contingency research" or "massive research on a phenomenon *only* when it became a major geopolitical-economic issue." Scholars who had previously studied Japan—who might have been learning Japanese, writing for Japan Foundation grants, or creating partnerships with Japanese scholars—stepped away and either never substantively returned to the subject or redirected their attention to East Asia's new exemplar of growth and development: China. An old guard remained but even they shifted their focus to other matters in the late stage of their careers—Chalmers Johnson, for example, began writing about American imperialism and Ezra Vogel, while maintaining an engagement with Japan, devoted considerable time to several books on China. This is written with some hyperbole, but the general sense was that the Japanese case had been but a daydream of the late twentieth century, since it seemed to have little residue on the social science that emerged after the bubble burst.

Things are not, however, as they seem, which naturally brings us to one of the major purposes of this thesis: to understand the resurgence of the Japanese imaginary after the 2008 crisis as a phenomenon which reveals some of the complicated logics of our current political economy. In the same way that Japan interrupted the logic of western economic exceptionalism during its economic miracle, it does so today under the discourse of Japanification. It carries through much of the rationality developed prior to the Japan passing moment, in an ideational environment much more open to alternative imaginations of the economy than previous. While Japanification is a product of the crisis, the groundwork for its uptake was laid in the late 1990s and early 2000s—the supposed "lost" decades were in fact incubating a renewed identity of Japan for consumption in the west: as a place hosting mature institutional forms not of the late developer but the *early decliner*.

To summarize, this chapter at a high level surveyed the character of Japan's representation in influential discourses about the economy from the beginning to end of its postwar economic miracle. In the first act, the Japanese took form from the embers of the convergence debates, disturbing the western-centric logic of industrial modernization and capitalist development. It served mostly as a source of institutional lessons but the seeds of its ideal role as a terminal point of convergence were sown. In the second, it matured into its model as a universal particular against which the western experience could be measured through debates about the developmental state. Here, the role of political will becomes especially important, elevating the Japanese experience as one replicable elsewhere. In the third, through the postfordism and Japanization debates the scope of Japan's role reached its most gregarious form, while also revealing its absolute limits as a representative of a truly universal experience. In all cases, Japan served as an important adjunct to confronting the norms concerning western exceptionalism and its liberal particularities without questioning the common sense of capitalist development more broadly. Dore puts it well in the introduction of *Flexible Rigidities* (1986, pp. 6-7), worth quoting at length:

> Accept that there are good technical-efficiency reasons for oligopoly sometimes. Accept that it does make for a better *quality* of human relations at work if people are not hired and fired at will . . . having potential efficiency pay-offs. Accept that the realities of international competition demand more active state intervention and hence the pre-emption of a lot of investment decisions by bureaucratic rather than market processes . . . Give up simple notions of a clear cut distinction between the state's minimal regulation of the legal framework and the free market operations of business within that framework, and accept that workable arrangements require a lot of corporatist bargaining in which the state represents a residual public interest against the contending interests of organized—not market-atomized—parties . . . And accept, in consequence, that while no heterogeneous European nation can aspire to the beehive-like homogeneity of Japanese society, the chances of developing the sense of common purpose and social solidarity which makes "rigidities" flexible *are* much affected by social institutions.

Once more, then, Japan has returned to tell us something about how our world works.

Chapter 3: Mythmaking: Japanification and Keynesian revanchism, 1990s to present

> The failures of Japan are every bit as significant for us as its successes. What happened to Japan is both a tragedy and an omen . . . I continue to be astonished at how few economists around the world realized just how important a problem Japan's trap was both as a practical matter and as a challenge to our economic doctrines.
>
> Paul Krugman, *The Return of Depression Economics and the Crisis of 2008* (2009, pp. 56-74)

3.1 Pushing on a string

While the term "Japanification" appears at first blush as journalistic shorthand for a basket of macroeconomic conditions related to minimal growth, sluggish demand, low interest and inflation rates, and other markers of stagnation, it is heavy with latent historical, political, and spatial baggage. As a broker of anticipation, it animates a vivid threat to the future embedded in lore of Japan's economic failures, drawing on a menace inherent in its "ification" suffix. Why Japan? Why not, after all, just refer to the situation gripping the west as simply a case of secular stagnation? Uptake of the term is the product of more than a little active alchemy, suggestive of deeper tidal shifts in the ripples of economic imagination. In this chapter, one of the principal aims is to define and contextualize the mainstream use of Japanification while also excavating its properties as a synthetically constituted myth; for while it does have a partial fit with the actually existing experiences of Japan's economy, Japanification has over time assumed an exaggerated quality correlated with a political objective: the creation of ideational room for proposing new and unconventional forms of macroeconomic policy. Its mythic character becomes particularly apparent when reviewing Japan's reasonable economic performance during its supposedly "lost" decades of stagnation and decline. This mythmaking procedure is not something which has happened automatically; rather, it has been helped along by a cohort of actors which includes prominent economists, private sector finance workers, and journalists, and by Japan's flexible imagination in the west as a universal particular.

To recap points made previously, the construction and embellishment of Japan's experience must be contextualized in the general features of capitalism as a mode of production and, particularly, in the dynamics that capitalism has taken on under the conditions of the "long interregnum" since the 2007-08 global financial crisis. As an absurd system, capitalism requires a constant negotiation of meaning to sustain the ensemble of agents, institutions, and histories involved in its production. People and processes cannot operate without shared conceptions of meaning—shared economic imaginaries generate a system of boundary objects for collective action and governance to occur. They cyclically stabilize, condition, and contest common sense and the bounds of political possibility—reducing uncertainty and permitting a basis for actors to assign probabilities to outcomes through their strength in supplying "causal stories," as Blyth (2002) puts it. These imaginaries are *strategically* institutionalized and are path-shaping, in that they privilege certain understandings and omit others, accommodating a partial and relative institutional coherence. And, most importantly, they are strategically institutionalized in the context of mediating dominant crisis tendencies which threaten the continued reproduction of capitalism as a whole. In the time since the crisis, a new basis of meaning has been sought for reproducing capital, requiring a shedding of some of the old compromises and a discovery of some that are new.

What has been maintained in the heartlands of western capitalism is a regulatory architecture which continues assigning private capital with the responsibility for driving social welfare, industrial organization, and technical progress. However, policy developments since the crisis suggest an institutionalization of new compromises qualitatively differentiated from those in the years of neoliberalization, monetarism, globalism, and austerity. This is reflected in a general movement—especially in the U.S.—toward expanded fiscal spending, the adoption of unconventional monetary policy tools (UMPTs) by central banks, the erosion of central bank independence (CBI), and the embrace of neomercantilism and industrial policy. Japanification is understood here as one discursive modality of this process of transition—or, perhaps more properly, mutation—from the prevailing doctrine which privileges markets, privatization, radical individuation, and deregulation, marking a shift in the west's dominant imaginations of the economy toward a more interventionist and even nascently statist form of governance. More broadly, imaginations of Japan serve as particularly apt negotiators of new economic ideas for a western political economy recurringly caught "pushing on a string," as the old economist's adage goes—unable to generate stability and economic growth through the prevailing toolset of (primarily monetary) policy.

Driving this chapter is a curiosity toward what the discourse of Japanification can signal about the dominant features of western liberal capitalism today: what are its primary anxieties, crisis tendencies, forms of regulation, and prospective future pathways? I begin by outlining a prehistory of the term in work on Japan by prominent economists, namely Paul Krugman, Ben Bernanke, and Adam Posen. Reviewing articles in the western popular financial press through Dow Jones Factiva and ProQuest, I survey Japanification's mainstreaming in the aftermath of the 2007-08 global financial crisis, and its uptake in academic spaces during the COVID-19 global pandemic. This exercise chiefly highlights three points in the emergence of the discourse of Japanification, primarily within the U.S. context. Firstly, its emergence mirrors a concomitant resurgence in Keynesian ideas in the spaces of mainstream macroeconomic policy, displacing the legacy of monetarist conceptions. Secondly, it is correlated with an expansion of discretionary power endowed to central banks by the capitalist state, and the further dissolution of the boundary between domains of monetary and fiscal policy. Thirdly, and more tentatively, it speaks to a broader movement underway to re-embed markets into the institutions of the state and society, particularly with respect to the uptake of industrial policy under the Biden administration. The chapter concludes with a discussion about what the arrival of Japanification and its accompanying reactive shift in policy means for neoliberalism as an economic imaginary, analytical frame, and actually existing economic experience.

3.2 A brief prehistory of Japanification

What appears to be the first modern use of the term Japanification is in an issue of *The Guardian* in August 2010, 'Markets lower on concerns of US Japanification', by Elena Moya (2010, para. 1-2): "We are all turning Japanese, investors fear. Fears are mounting that the US economy is turning like Japan in the 1990s, an economy marked by low growth and deflation." This was followed in the next few months by similar discussions that invoked the term in the *New York Times*, *National Post*, *Reuters*, *Financial Times*, and other major periodicals. These articles pull quotes from fund managers, consulting firms, and financial institutions (like Bank of America Merrill Lynch, UBS, and PIMCO), academic economists, and central bankers, that emphasize the similarities of Japan and western contexts in three dimensions: deflation risk, low or negative interest rates, and stagnant growth. Later, growing public debt and demography would also factor into the Japanification equation. The context of these discussions was the slipping optimism for a steady recovery from the 2007-08 subprime mortgage crisis, with the Fed taking (at the time) unusual steps under the direction of Bernanke toward the economy in its slashing of the federal funds rate to near-zero levels and in the initiation of a second round of quantitative easing (QE), so-called "QE2," committing to a purchase of treasury bills to the tune of $600 billion dollars before the end of the second quarter of 2011.

The trigger for this proliferation of references to Japan is difficult to precisely trace, though its contours become legible when reviewing the rhetoric of three individuals: Paul Krugman, Ben Bernanke, and Adam Posen. Taking these three as key informants of a broader heterodox Keynesian discourse within macroeconomics and central banking, we can see that the Japanese case is productive of two specific arguments for the western context. The first is an argument in favour of increased "discretion" in monetary policy—away from "rules-based" and inflation-centric governance and toward the normalization of UMPTs like QE, yield curve control, and other policies applied at or past the zero lower bound (ZLB). The second is in countering the residual claims of Ricardian equivalence and bolstering support for the efficacy of fiscal policy. Broadly speaking, the Japanese case may be conceptualized as a kind of signifier for a war of positions waged by Keynesian economists against prevailing monetarist and neoclassical sensibilities. The development of these arguments has proceeded since the perceived end of the Japanese economic miracle and the beginning of the 2007-08 global financial crisis.

3.2.1 Building the case for expanded policy "discretion" and fiscal policy efficacy

In the following examples, one picks up a common logical pattern to arguments that invoke the Japanese experience. It goes something like this: the Japanese experience is a case of stagnation, but not one which is insurmountable; in fact, their experience is one which could have been avoided with the right application of (Keynesian) macroeconomic policy tools—if only the BoJ or government had the courage to act; contrary to Japan's supposedly unique development pathway, it is nevertheless interpretable under the same textbook conditions—those found in an intermediate macroeconomics class—as those in the west; ergo, as the western experience is beginning to echo some tendencies of the Japanese, policymakers in the west should look toward Japan for a framework of policy action based on their successes and failures.

We may begin by looking at Krugman's work. Indeed, only a few months prior to Moya's article, Krugman (2010) had published a piece in his longstanding *New York Times* column with the headline "Lost decade looming?" which was referenced by some of her journalistic colleagues. "Despite a chorus of voices claiming otherwise, we aren't Greece," Krugman (2010, para. 1) writes. "We are, however, looking more and more like Japan." He goes on to make several policy prescriptions which boil down to an argument that "policy makers aren't doing too much; they're doing too little:"

> It's not that nobody understands the risk. I strongly suspect that some officials at the Fed see the Japan parallels all too clearly and wish they could do more to support the economy. But in practice, it's all they can do to contain the tightening impulses of their colleagues, who (like central bankers in the 1930s) remain desperately afraid of inflation despite the absence of any evidence of rising prices . . . In short, fear of imaginary threats has prevented any effective response to the real danger facing out economy. (Krugman, 2010, para. 4-11)

The "real danger" in question is the possibility of a prolonged era of unemployment and marginal growth. The "imaginary threat" reflects the hawkish bias of central bankers toward managing the threat of inflation at all costs; Krugman gestures to the "Taylor-rule" norm toward price stability within the Fed as a constraining factor in expanding the possibilities for effective intervention (Benhabib et al., 1998; Taylor, 1993).

Krugman's associations between Japan and questions of stagnation are not new, and he has for some time used Japan to lyrically and technically advance various aspects of his philosophy—the most important being his earlier academic work on liquidity traps, and his more sensational public work on "depression economics." Both draw substantively on the example of Japan's economic experience post-1989. His widely cited *Brookings* paper in 1998 argued that the "return" of the liquidity trap in Japan was an explanation for its inability to breakthrough economic torpor. A liquidity trap is a situation first described by John Maynard Keynes in his *General Theory* (1936) where monetary policy fails to influence aggregate demand. Interest rates are near or at the ZLB, where cash becomes an effectively perfect substitute for debt (particularly bonds; the opportunity cost for holding cash is nil). Especially when the general outlook for the economy is poor, individuals choose to hoard cash instead of holding debt; thus, expanding the monetary base through monetary policy fails to generate an appreciable impact in stimulating demand since any new money ends up hoarded by individuals as cash instead of spent or invested in higher-yield assets like debt. Keynes' liquidity trap is a largely theoretical condition though partially grounded in the experience of the Great Depression, and Krugman identifies Japan's experience during the lost decades as a textbook example of a liquidity trap at work. To exit a liquidity trap, Krugman suggests three policy prescriptions. Two are notable for their subversion of macroeconomic orthodoxy prevalent at the time: enacting a significant and ongoing programme of fiscal stimulus and to "credibly promise to be irresponsible" when it comes to the price level—i.e., intentionally generating inflation (Krugman, 1998, p. 139). Opposition to enacting such policy is not a "political" but a "conceptual" problem, requiring a "rethinking of the fundamentals of macroeconomics . . . applying conventional modeling to liquidity trap conditions produces unconventional conclusions and policy recommendations" (Krugman, 1998, p. 183).

In *The Return of Depression Economics*, originally published in 1999 and reissued in 2009 after the subprime mortgage crisis, Krugman likewise devotes recurrent reference to Japan's experience, and dedicates a chapter to its liquidity trap. The book originally focused on the slump suffered by the Asian economies after the 1997 currency crisis, but the reissued edition (published the year after Krugman was awarded the Nobel Memorial Prize for his work on new trade theory and new economic geography) reworked the prescriptions toward the rapidly emerging contours of the crisis in the U.S.—"in an effort to explain how the United States found itself looking like Japan a decade earlier" (Krugman, 2009, p. 5). A *New York Times* bestseller, the book functions as an account for popular consumption in being lively, polemical, and avoiding his typical wonkery (notable for its extended metaphor of a "babysitting cooperative" to illustrate the tendencies of the macroeconomy) and extends the basic thesis that the circumstances leading to the Asian Financial Crisis and the subprime mortgage crisis are like that of the Great Depression. Depression economics are thus, and most fundamentally represent, a discursive shift toward new norms for policymakers: with failures on the demand side, policy must reflect tactics from the past and, specifically, the Keynesian past—"good old-fashioned demand-side macroeconomics has a lot to offer in our current predicament" (Krugman, 2009, p. 183). Such tactics include the expansion of recapitalization efforts, fiscal spending, and financial reform. The take home message, however, is encapsulated by the final section of the book entitled 'The power of ideas'. Here, Krugman baldly quotes Keynes in a disquisition about how economic ideas are "dangerous" and ends his book with the following sentence: "I believe that the only important structural obstacles to world prosperity are the obsolete doctrines that clutter the minds of men" (Krugman, 2009, p. 191). For

Krugman, there is in fact a free lunch if we are willing to change how we look at the economic world. Japan serves as an important case for doing so.

We will return to Krugman in the subsequent sections. Another individual who would in the future serve as one of the most prominent voices of the economics profession produced work in the late 1990s and early 2000s which similarly drew from the Japanese experience: former Fed chair Ben Bernanke. One might characterize Bernanke's engagement with Japan as that of a precocious projectionist, coming off initially as a harsh critic of Japan's policy response to stagnation but later seen applying lessons from the Japanese context in his own policymaking and policy advocacy work in the American context. Bernanke (2000) infamously issued a biting critique of Japan's macroeconomic policy programme while still chair of the department of economics at Princeton (where he, incidentally, hired Krugman in 2000), describing it as a case of "self-induced paralysis" in response to deflationary pressures and urging the BoJ to demonstrate "Rooseveltian resolve" to keep interest rates low and purchase government bonds to boost demand. Just prior to these remarks, Bernanke had more productively—if critically—used the Japanese example in an influential paper with Mark Gertler to make the case for "flexible inflation targeting" in the context of asset price volatility (Bernanke & Gertler, 1999). This marked the beginning of a series of engagements with Japan which were used primarily to advance or reinforce his understandings about how the macroeconomy functioned, and the definition of policy tools used to manage its dysfunction. An overview of his engagements is included in his remarks delivered at the BoJ in 2017, where he notes the case of Japan as central to exploring, verifying, and communicating his understanding of reflation policy, large-scale asset purchases, yield curve control, and other key conventional and unconventional policy tools (see Bernanke, 2017). The general sense Bernanke communicates is that engaging with Japan's policy experience represents an important opportunity to set norms for the future of policy elsewhere.

Not long after his initial calls for Japan to "do more," Bernanke joined the Fed as a governor and later served as its chair during the financial crisis, and the intellectual exercise of studying Japan became a practical one—"beginning with the deflation scare of 2003 and then the American encounter with the effective lower bound starting in late 2008" which had parallels with the then-unique challenges faced by the BoJ before (Bernanke, 2017, p. 1). Put into the hot seat, he would later apologize for his earlier tone with Japan, where he had blamed the BoJ "for an unwillingness to experiment . . . years later, having endured withering, motive-impugning criticism from politicians, editorial pages, and even fellow economists, I found myself wishing I had dialed back my earlier rhetoric" (Bernanke, 2015, p. 41). Nevertheless, while it would be imprudent to define Bernanke's tenure at the Fed as radically experimental or liberal, he oversaw the adoption of several heterodox policy programmes which have since become normalized—the most important being quantitative easing (QE), which has its roots directly in an earlier BoJ policy programme. While recognizing the BoJ as the pioneer of QE, Bernanke initially distinguished the Fed response as focused on purchasing longer-term assets to reduce long-term interest rates versus the general target of increasing bank reserves. He recommended the term *credit easing* to characterize the American response and in his memoir of the financial crisis labelled the Japanese QE programme as "unsuccessful" (Bernanke, 2015, p. 418; see also Bernanke, 2009). However, given that both programmes rely on the large-scale purchase of assets by the central bank to promote the flow of credit, it is unsurprising that the label QE took hold as the primary signifier of the Fed's now signature firefighting policy. Furthermore, as time wore on after the global financial crisis, the BoJ refined QE by expanding not just the scale of its asset purchases, but the kinds of assets held on their balance sheet—moving from holding practically riskless government bonds to products like exchange-traded funds—with other central banks, including the Fed, following suit. After "QE1" and the announcement of "QE2"—and following the emergence of the Japanification discourse in the media—the *Wall Street Journal* ran an extended article entitled 'Fed chief gets set to apply lessons of Japan's history', outlining Bernanke's record of both critically commenting on and drawing lessons from the Japanese experience of stagnation; the spectre of Japan's "painful experience" painted the Fed's actions until the end of his tenure (Hilsenrath, 2010; see also Bernanke, 2010a).

While not as publicly recognized as Bernanke or Krugman, Adam Posen (President of the Peterson Institute for International Economics and former member of the Monetary Policy Committee of the BoE) is no less critically important to contextualizing the Japanese case as a key referent for navigating the destabilizing conditions of the post-2008 era—more importantly, he is respected by influential Keynesians like Krugman and Bernanke. A recipient in 2021 of the Order of the Rising Sun by the Japanese government for his "distinguished achievements in advancing US-Japanese economic relations and Japanese economic policy in the global context," Posen began his career by focusing on Japan's supposed policy failure during its recessionary years while working at the Federal Reserve Bank of New York (Peterson Institute for International Economics, 2021, para. 1); during this time, he also coauthored an influential book with Bernanke on inflation targeting (Bernanke et al., 1999). While acknowledging that there are structural factors at play in Japan's stagnation, he argues in *Restoring Japan's Economic Growth* (1998, p. 143) that it is its "misguided and ultimately self-destructive macroeconomic policies that have allowed the potential for crisis." The prescriptions he assembles are not just directed at resolving Japan's woes but are universalized as general principles—the three primary lessons being: that "countercyclical policy continues to matter for modern economies, and, under certain circumstances, aggressive discretionary action is appropriate" (i.e., the experience of Japan demonstrates how business cycles are "not dead," as is assumed in the U.S.); using "national economic models" to explain success and failure in the nearer-term is a recipe for constraining discretionary policy decisions; and the fallacy of "liquidationist thinking" which assumes the Japanese crisis is a positive outcome of creative destruction, wherein non-productive resources get reallocated and generate a new state of productive equilibrium, reasoning that a "recession is a particularly poor filter for sorting out which relationships and specialized investments should survive" (Posen, 1998, pp. 145-157).

The sentiment communicated by Posen is that the Japanese case is a contingent expression of failure which could very well happen in the United States, since the Japanese political economy is not in fact fundamentally different from the "textbook conditions" of the American political economy. This continues a line of reasoning developed within the prior imagination of Japan during its economic miracle, assigning Japan with the burden of serving as a particular while also constructing its fluency with the western economic context. Thus, stagnant growth in Japan merits an interventionist response in the same policy terms as one might orchestrate in the U.S., with obstacles to such a response being a political rather than a necessarily technical question.

This is a point hammered home in Posen's later work. In an article with Kenneth Kuttner, 'The great recession: Lessons for macroeconomic policy from Japan' (Kutner & Posen, 2001, p. 94), Posen describes Japan's experience since the asset bubble burst as "a critical experiment for the effectiveness of macroeconomic policy on several grounds." It is, among other things, a test of "the Ricardian versus the Keynesian approach to fiscal policy" (in the latter's favour), countercyclical policy efficacy, and the norms behind banking system regulation (Kuttner &

Posen, 2001, p. 94). The four key lessons for both Japan and "other large economies at risk of deepening recession from a combination of asset price declines and external shocks" includes:

> First and foremost, our results encourage a positive view of active countercyclical policy . . . the inflationary risks of quantitative easing appear to be nonexistent . . . Second, our analysis indicates that discretionary fiscal policy can get the maximum bang for the yen by increasing the average household's disposable income, and by recognizing that the budget deficit alone is not an adequate measure of fiscal stimulus. Third, our finding of a limited Ricardian offset by savers even under the extreme circumstances of Japan in the 1990s underlines that monetary accommodation of fiscal expansion can be the optimal response . . . Fourth, we find that the microefficiency arguments for resolving nonperforming loan problems quickly are strongly reinforced by the macroeconomic evidence of credit crunch effects, and occasional disintermediation, even when banks are kept open. (Kuttner & Posen, 2001, p. 158)

As emphasized in the work of both Krugman and Bernanke, Posen downplays the threat of inflationary risk. But, more importantly, he highlights the principle of *discretion* and the possibility of closer coordination between fiscal and monetary policy—and underscores the general efficacy of fiscal policy. A word which could be substituted for discretion is room for *intervention* of a political sort—in this case a Keynesian sort—by the state into the operations of nominally "open" markets. Moreover, part of the principle of intervention is to unlock "potential," as in "Japan's economy has been underperforming since the early 1990s and is currently operating about 3 to 4 percent below potential" (Kuttner & Posen, 2001, p. 97).

In sum, Krugman, Bernanke, and Posen draw upon Japan in a similar fashion. To be clear, they are not they only informants but are argued to be the most significant forebears of a genre (i.e., see work by Cho et al., 2018; Funabashi & Kushner, 2015; Hutchison et al., 2006; Koo, 2009; Wakatabe, 2015; Werner, 2005). A question remains, however—how sincere is their representation of the Japanese experience of stagnation? Japan's stagnation would remain a point heavily exaggerated in the ensuing discourse of Japanification peddled in the mainstream financial press. As an aside, Posen is perhaps the closest to grasping its mythic quality. Reiterating his earlier thoughts in light of the global financial crisis, he invokes the idea of a "Rashomon" effect impacting the multiple interpretations of Japan's experience in a lecture at the London School of Economics in 2010—referencing the film by Akira Kurosawa which famously plays with the unreliable subjectivity of human perception and memory in its accounting of a murder (see Posen, 2010 for the paper prepared for the lecture). This metaphor of contested narratives about causality is an excellent one, though Posen believes that a lost decade (singular) did in fact occur due to policy error. For him, "textbook, even old-fashioned Keynesian, macroeconomics" is the correct narrative to view the dynamics of Japan's recessionary experience when in reality it is yet another single interpretation of a situation, coopted for the purposes of moving the political meter in one's favour (Posen, 2010, p. 3).

3.2.2 The lost decade myth: A "real" decade?

Japan experienced a bubble and contraction in its economic growth after the early 1990s. The idea of a lost decade is thus not without its partial representation in truth. Nevertheless, Japan's stagnation is far from a cut-and-dry matter and its structural and policy implications continue to be debated amongst economists and other commentators. Michael Hutchison et al. (2006), for example, offer that it should be called a "Great Stagnation" rather than a lost decade or a great recession—certainly milder than the depths of the 1930s Great Depression in the U.S. but still unique in its expression of a combination of characteristics unseen in seventy years—of banking problems, deflation, low rates, financial distress, and duration. William Pesek (2014), meanwhile, describes Japan's experience post-1989 as a contiguous 20-year slowdown, decades plural. But instead of focusing on what it is—in its many contested interpretations—I will reflect on what it might not be: not a lost but a "real" decade.

In his recently published autobiography, Masaaki Shirakawa—long-time employee and former head of the BoJ (2008 to 2013)—offers privileged insight into the inner workings of Japan's macroeconomic policy from 1972 to 2013. His memoir follows tracts written by other central banking leaders like Bernanke, Mervyn King, Duvvuri Subbarao, and Mark Carney. His purpose in the book is wide-reaching but he principally aims to particularize the Japanese experience—noting that "economic theory is in most cases built on the foundation of the US economic and social structure. Needless to say, the United States is not the only country in the world" (Shirakawa, 2021, p. 10). Shirakawa aims to correct misleading statements about the Japanese economy by western policymakers and commentators, seeing such interpretations as productive of harmful policy norms and conduct. Nevertheless, he demonstrates that from Japan's particular experience arises a prospective universal for the advanced world, which he hesitantly describes as a form of Japanification.

An important section of his memoir—at least one Shirakawa focuses on in a recent public forum at the University of California, San Diego in 2021—deals with the narrative of Japan's lost decade and the way in which it informs consensus about macroeconomic policy prescriptions in both functional and dysfunctional times. Shirakawa notes that in the *Nikkei*, the world's largest financial newspaper, the term "lost decade" first appeared in 1998 and later increased in usage after 2007, peaking in 2010—with the plural, "lost decades," peaking in 2013. He states that the characterizations of the lost decade initially resonated with his feelings of frustration with the policy response to Japan's economy, but that over time he felt "unease" with the term and its basic purpose of signifying that the root cause of Japan's problems was "deflation, and aggressive monetary easing was its solution" (Shirakawa, 2021, p. 373). After the global financial crisis, he became more skeptical when he observed strong similarities between the post-crisis experience of Japan in the 1990s and the advanced industrial economies of the west in the late 2000s and 2010s—ultimately taking issue with the implication that low growth is unique to Japan, and that Japan's lost decade was the product of policy failure. He writes:

> No material difference is observed between US and Japanese GDP growth in terms of the path relative to their cyclical peaks during the [respective] bubble periods. Compared with non-US advanced economies, the Japanese GDP performance was better than that of the euro and almost the same as that in the United Kingdom . . . Yet if we compare real per capita GDP growth, no material difference can be found between Japan and the United States until 2013. (Shirakawa, 2021, p. 374)

Japan, thus, did not suffer in his eyes from a "lost "decade—in that it failed to realize absent, untapped potential. It instead suffered from the outcome of an asset bubble-induced crisis no differently than how the U.S. would later suffer from the subprime mortgage crisis, with particularly sharp challenges incubated by Japan's demographic problem of a declining workforce. The decade is thus representative of a form of "real" stagnation, revealing the nature of something which could be universal to economies experiencing crisis in the advanced capitalist age, rather than of a period of "lost," unrealized growth.

Shirakawa surveys western interpretations of Japan's experience of a lost decade in four acts. In the first, there was relative optimism for Japan's recovery. A Federal Reserve Board paper in 2002 notes that "only in the latter half of the [1990s] did a fundamental reassessment of the outlook for Japan appear to take place" (Ahearne et al., 2002, as cited in Shirakawa, 2021, p. 364). The second act is captured by Bernanke's "self-induced paralysis" comment in 2000, with the general impression being that Japan had not done nearly enough monetary easing and intervention.

Shirakawa notes references to Japan's economy during Federal Open Market Committee meetings in 2008, demonstrating how it substantively influenced the policy direction of the Fed during a key moment of dysfunction—where:

> participants extensively discussed the zero lower bound of interest rates, as well as unconventional monetary policy . . . and the experience of Japan and the use of quantitative easing by the Bank of Japan were repeatedly referenced. The consensus was that the United States should avoid a scenario similar to the Japanese one at all costs and could do so by deploying bold policy actions promptly. (Shirakawa, 2021, p. 365)

The third imagines Japan's policy actions in a more optimistic "monetary experiment" after March 2013, when the BoJ adopted an aggressive stance toward easing, known as quantitative and qualitative monetary easing (QQE). QQE constituted the Japanese government's commitment to aggressive monetary policy—one of the three "arrows" of Shinzo Abe's economic programme (today known as "Abenomics'). The other two arrows are fiscal stimulus and structural reform. One of the surprising outcomes of this "experimental" period is that despite the expanded monetary regime and aggressive balance sheet expansion of the BoJ, inflation remained well below target, ostensibly challenging conventional macroeconomics. Shirakawa quotes Larry Summers and Anna Stansbury (among others) in their declaration that the BoJ's failure to raise inflation suggest that "what was previously treated as axiomatic is in fact false: central banks cannot always set inflation rates through monetary policy" (Summers & Stansbury, 2019, as cited in Shirakawa, p. 368).

The fourth and current act reflects a mixed appreciation for Japan's prospects after its prolonged stagnation, combined with the growing understanding that it points to a condition which is not unique. This brings us to the Japanification moment. Not since the Japan bashing era has Japan's economy occupied such a central location in the western popular consciousness. And, like the previous era, it arrives at a time where there is great anxiety about the continuing prospects for growth in the U.S. and broader liberal western world. There is not yet a total condition of anomic uncertainty, but the prolonged progression of the Japanification discourse—over a decade and counting—recalls the previous role that the Japanese imaginary served, as a kind of mirror promoting the agitation of seemingly universal doxic ideals. The prospect of convergence toward the Japanese situation encourages the stewards of the economic imaginary—economists, policy actors, and the like—to adjust the norms of policy possibility toward a more discretionary and interventionist framework of macroeconomic governance returning to nominally Keynesian fundamentals. While perspectives on the lost decade shifted, the purest and most public forms of the Japanification rhetoric amplify and exaggerate the Japanese trials of stagnation.

3.3 Japanification, 2010 to 2021

As noted earlier, per Dow Jones Factiva and ProQuest, Moya's article in *The Guardian* contains the earliest mention of Japanification in its modern form. She quotes a managing director at PIMCO, the world's largest bond investor, describing how "the risk is rising that the US will enter a prolonged period of stagnant growth combined with a risk of outright deflation—similar to the environment that Japan entered in the 1990s" (Moya, 2010, para. 5).

3.3.1 Chrysanthemum in bloom

An article published a few weeks later in the *Daily Telegraph* notes how the prospect of a "Japanisation" of western countries resulted in an equities sell off, quoting analysts at UBS and Barclays claiming concerns "that the US and western Europe will move to a Japanese scenario with low growth, low rates and an aging population" (Aldrick, 2010, p. 1). Similar reports followed in the *Financial Post*—David Pett writes (2010, p. 6) how:

> Japan's Lost Decade, brought on by the bust in the country's housing and banking boom of the late 1980s, is supposed to be a cautionary tale. Having happened once, economic policymakers have vowed the period of stagnant growth and depressed asset prices that defined the Japanese economy in the '90s is a phenomenon not to be repeated. But two years removed from the recent financial crisis that spawned the Great Recession, the threat of Japanese-style deflation remains pervasive almost everywhere in the developed world. Nowhere is that more evident than in the United States . . .

Pett (2010, p. 6) mentions Krugman's recent discussions about a looming lost decade for the west and quotes a report by the St. Louis Federal Reserve Bank that describes how "the U.S. is closer to a Japanese-style outcome today than at any time in recent history." He also quotes various claims by analysts—for example, Michael Hartnett at Bank of America Merrill Lynch—who warn of a potential future of a low federal funds rate, low growth, and drop in asset and real estate prices if the situation does not improve.

In October of 2010, the *New York Times* published a series of articles on Japan's "great deflation." Here, the language of Japan's association with liquidity traps is more apparent, with a connection made between Japanification and the specific condition of collapsed demand. However, the language transcends a more technical and quantitative comparison and draws upon an unglamorous and even scornful portrait of Japanese life in the wake of the asset bubble burst. In detail, the first article of the series devotes much space to describing the meekness of the Japanese economy today and the fall in quality of life for young people in Japan. The narrative reaches a particularly undignified point when the authors take to describing young men in Japan as "herbivores," unable to work hard or "even to succeed in romance" as their predecessors had during Japan's boom (Fackler & Lohr, 2010, p. 1). Deflationary Japanification is a threat not just to the American's bank account but to the very vigour and potency of their cultural sphere.

Japanification continued to occupy the discussion about western economies in the following months. It became a concern for the upcoming American election, grouped alongside the Afghanistan war and a rapidly rising China (Luce, 2010). In 2011, a *Daily Telegraph* article affirmed that the prospect of Japanification was circulating policymaking spaces, with Jeremy Warner reporting on a spat between Adam Posen (then serving on the BoE's Monetary Policy Committee) and the Bank for International Settlements (BIS). The former approved of loose monetary and fiscal measures and the latter conceived of the recession as a critical moment to "shed the destabilising debt accumulated during the last decade and return to sustainable growth" by maintaining a conservative discipline around macroeconomic policy (Warner, 2011, p. 27). While Posen's stance is certainly the more pervasive one, the position espoused by the BIS was not entirely uncommon, if not quite a truly competing interpretation (see, for example, Chorafas, 2011; Pesek, 2010).

By later in 2011, the *Financial Times* reported in a headline that 'Japanisation' had become a "word of fear in the West," referencing multiple conversations with various western and Japanese researchers and private sector financial actors (Milne, 2011). Michael Dolan (2011a, para. 9) of *Reuters* describes the "fashionable fear" of Japanification as an "eerie Cassandra," and emphasizes the aging boomer population of the U.S. as a risk factor. In another article, Dolan (2011b) connects the condition of Japanification with the return of "depression" to the "mainstream lexicon" of analysts and other commentators of the economy. *The Economist* (2011) ran a cover with Angela Merkel and Barack Obama dressed in kimono's, with the leader text 'Turning Japanese: Debt, default and the West's new politics of paralysis'—*paralysis* being a word no doubt carefully selected to reference Bernanke's previous condemnation of Japan's policy actions. "The West's leaders are not willing to make tough choices," the magazine teased, "and everybody—the markets, the leaders of the emerging world, the banks, even the voters—knows it" (The Economist, 2011, para. 2). At this point, the term was often coupled with proposals for greater action—usually, of looser monetary easing and the application of fiscal policy in some form. To a lesser extent, Japanification was also used to describe declining bond yields and the resultant negative impacts on investor confidence (Milne & Mackenzie, 2011). Moreover, while Japanification maintained a more U.S.-centric focus, it also became a popular byword for painting a troubled future for European nations if the sovereign debt crisis was improperly managed.

Also during this time, an event was held in Toronto by Munk Debates between Krugman and Larry Summers (former chief economist of the World Bank and treasury secretary in the Clinton administration, among other esteemed public roles). The terms of the debate? "Be it resolved, North America faces a Japan-style era of high unemployment and slow growth." Joining Krugman on the Pro side was analyst David Rosenberg. On the Con side, Summers was joined by pundit and global risk consultant Ian Bremmer. While the two ends nominally argued their positions, the "debate" evolved into a setup for wonkish policy theatre, each brainstorming ways to encourage economic growth and stabilize the political system in the U.S. The Con side technically "won." We will return to Summers later, who underwent a change of heart in his position regarding Japan. Krugman maintained his relative consistency with respect to the possibilities for the west's Japanification. On the other hand, when asked in 2020 if he stood by his position of optimism for American growth in the debate, Bremmer answered curtly, "Yes" (I. Bremmer, personal communication, July 13, 2020).

References to Japan produced more of the same in 2012 and 2013. However, an opinions piece in the *New York Times* provided a needed sober counter to the spiraling "myth of Japan's failure;" Eamonn Fingleton (2012, para. 2-3) writes how:

> Americans are told to look to Japan as a warning of what the country might become if the right path is not followed . . . But that presentation of Japan is a myth. By many measures, the Japanese economy has done very well during the so-called lost decades . . . By some of the most important measures, it has done a lot better than the United States.

Fingleton collates several examples, including the increase in life expectancy (where the Japanese live 4.8 years longer than Americans), strength of the yen, low unemployment rate (half of that in the U.S.), and Japan's current account surplus. He also notes how Japan has a stronger consumer culture (discussing the purchase of cars, technology, and eating out), healthcare system, and electricity consumption (seen in this case as a positive reflection of affluence and industrial activity)—a rebuke of the previous depiction of Japan in the *New York Times* article series on the great deflation. Because of how U.S. statisticians calculate GDP (which uses a "hedonic" method of adjusting for inflation), he posits that American growth is overstated by as much as two percentage points per year, obliging us to reassess Japan's per-capita performance compared with the U.S. The reason for the maintenance of this myth? It is a story that is *useful*: useful for westerners, to be certain, but also to the Japanese themselves:

> virtually everyone in Tokyo benefits from the doom and gloom story. For foreign sales representatives, for instance, it has been the perfect get-out-of-jail card when they don't reach their quotas. For Japanese foundations it is the perfect excuse in politely waving away solicitations from American universities and other needy nonprofits. Ditto for the Ministry of Foreign Affairs in tempering expectations of foreign aid recipients. Even American investment bankers have reasons to emphasize bad news. Most notably they profit from the so-called yen-carry trade, an arcane but powerful investment strategy in which the well

> informed benefit from periodic bouts of weakness in the Japanese yen. (Fingleton, 2012, para. 27)

Krugman did not find Fingleton's reading particularly agreeable—although he offers a conciliatory olive branch. Also publishing in the *New York Times*, Krugman questions Fingleton's source for GDP data and his overstatement of the positive connotations associated with a current account surplus. Running the numbers himself, Krugman (2012, para. 7-8) asserts that "1990-2000 really was a lost decade: Japanese output per potential worker fell a lot relative to the United States, when in the past it had been steadily rising," though he admits how "Japan made up most thought not all of the lost ground after 2000 . . . the data don't match the picture of relentless decline that is so widely held." Indeed, despite his disagreement over whether Japan's lost decade happened, he declares that "Japan did go through all this period without anything like the suffering, the human disaster, that America is experiencing . . . We are, in fact, doing worse than Japan ever did" (Krugman, 2012, para. 9-10). Interestingly, a year later, Krugman (2013, para. 5) wrote that adjusted for demographic factors, one might argue that "the whole tale of Japanese stagnation is a myth" albeit while maintaining that the Japanese policy response was too cautious, arguing for looser monetary policy to increase inflation along with greater fiscal stimulus. In *Forbes*, Fingleton (2013, para. 1) warmly received Krugman's revised take but reflects that "even someone of Krugman's caliber will have a hard time convincing the wrong-way Corrigans of the American economics profession. They desperately want to believe the Japan-as-basket-case story. Otherwise their precious theories would fall apart." Krugman would, however, return to variously assertive proposals for a stagnation argument to promote his interventionist policy agenda.

3.3.2 Discretion in the eurozone crisis

Dow Jones Factiva reports 297 mentions of Japanification (and its close cognates) in the media sources that it tracks in 2014, a high point unmatched until 2019 and 2020 (with 616 and 348 respectively). Krugman (2014a, para. 10) continued his campaign advocating the Fed to not "tighten" policy prematurely, arguing that if they do "it would have completed the Japanification of the US economy, putting us into a trap that's very hard to exit." In the eurozone, a deflation threat loomed and the lost decade comparisons ramped up—a long piece was published in *Reuters* which described the "striking parallels between 1990s Japan and the euro zones's plight now: weak bank lending, fragile economic growth, a rising exchange rate, and the central bank's insistence that deflation is not on the horizon" (Carrel & Kihara, 2014, para. 11). The same article quotes the skepticism of Mario Draghi, then-President of the European Central Bank (ECB), in his assertion that "the situation in the euro area is different because inflation expectations are firmly anchored, whereas they were not in Japan" but notes concern from the International Monetary Fund (IMF) and Adam Posen that the ECB will get "stuck." This line of banter continued between the ECB, a doubting Thomas where deflationary risks were concerned, and various proponents of the Japanese experience who felt strongly otherwise. Europe needs a "big bazooka," one headline in *The Telegraph* read; it is preparing a "peashooter" (Warner, 2014).

Despite the ECB's reluctant rhetoric, it cut interest rates to negative territory for the first time to -0.1% in June 2014. This was a historically unprecedented monetary policy move. Draghi followed this up with the issuing of a €1 trillion euro "honesty box" for financial institutions to fund longer-term refinancing operations (Webb, 2014). As bond yields in the eurozone continued to slide downward, due in part to low inflation expectations, commentators continued to compare the situation to Japan—without a significant reflation effort, the eurozone was at risk of getting stuck in a liquidity trap. These commentators were dubbed "not-enoughers" by Krugman (2014b)—of whom he counts himself as a member—who argue that:

> the clear and present danger is Japanification rather than Hellenization. That is, [not-enoughers] have warned that inadequate fiscal stimulus and a premature turn to austerity could lead to a lost decade or more of economic depression, that the Fed should be doing even more to boost the economy, that deflation, not inflation, was the great risk facing the Western world. (Krugman, 2014b, para. 5)

Europe, Krugman contends, is dominated by "too-muchers" who embrace fiscal austerity and the "imaginary" risk of inflation. With the threat of a "triple-dip" recession on the horizon for Europe, the next step to "avoid Japanization" was for Draghi to embrace QE, analysts argued (Aldrick, 2014; Wall Street Journal, 2014).

An important turning point for the ECB was the Jackson Hole conference in late 2014—the annual meeting of central bankers. Capitulating to much of the criticism of committing to too little, Draghi "stole the show" with a "novel" speech that "seemed to call for a 'three arrows' approach to policy, similar to Abenomics in Japan" and a "New Keynesian" model similar to the Fed's (Davies, 2014, para. 5). At the beginning of 2015, Draghi's ECB finally unveiled a commitment to purchase €60 billion euro in bonds per month from banks until September 2016 in a QE programme. Perhaps as a result, 2015 was thus a quieter year for comparisons between Japan and Europe, with more casual references to Japanification made by commentators. Nevertheless, the lost decade myth was maintained in pieces like Sahoko Kaji's (2015, para. 7-11) *Financial Times* article, which paints a grim picture of a post-bubble Japan:

> the lost decades have eroded Japan's cherished notion of oneness and harmony . . . The suicide rate—which rose sharply when economic stagnation set in during the late 1990s—is 60 per cent higher than the world average. Those who are suffering the effects of the lost decades mostly do so quietly . . . The general sense of peace, though, may actually disguise

> a dangerous turbulence below the surface . . . the democratic process is not picking up the angry voices of the underprivileged . . . Costs of medical care pile up as the population pyramid becomes increasingly mushroom-like . . . We may be enjoying the calm before the storm.

One novel comparison, though, was made by David Keohane (2015, p. 22) in the *Financial Times* who compared the "euroglut" of net savings with the Japanese situation, advocating that, "like Japan, Europeans will need to turn into net creditors to the rest of the world to mirror structurally higher saving preferences," transforming a net-negative international investment position to a positive one. This is a thesis originally attributed to George Saravelos at Deutsche Bank (Kaminska, 2015).

From 2016 to 2018, much of the rhetoric concerning the U.S.'s impending Japanification dried up. This is unsurprising given that it was in the throes of what would later be recognized as the longest economic expansion in its history—a 128-month run ending in June 2020 during the COVID-19 pandemic (Davidson, 2020). References to the eurozone's Japanification continued sporadically but it was much of the same fatigued narrative, devolving into a casual meme. With that said, a new character appeared in early 2016 in an article by William Pesek about China. Long drawing comparisons with Japan for its spectacular economic expansion, Pesek (2016, para. 1) notes that the question of China "becoming" Japan in its stagnant timbre has "morphed from 'if' to 'when'." He observes China following the "Yamaichi playbook" in that "whatever buying there is in Shanghai stocks these last two days reflects Tokyo-like government intervention, not rational investment decisions" (Pesek, 2016, para. 8; see also Pesek, 2014). Pesek draws a conservative interpretation from Japan's experience and is in favour of an austere and "liquidationist" position for evading a future of stagnation.

3.3.3 Before the storm

In 2019, Japanification returned in full force after the first quarter produced slower than anticipated economic growth. *Bloomberg* (2019) published a long-form article, 'Central bankers around the world are hitting the pause button', describing how the Fed along with other advanced economy central banks responded to the slowdown with dovish rate commitments. Bank of America Merrill Lynch described the Japanification of Europe as "the most consensus trade in the world" (Mackintosh, 2019, para. 1). Global financial services group ING released a report commenting on the eurozone's prolonged low inflation as a signal for a further Japanification, characterized by a deleveraging of the private sector, ballooning ECB balance sheet, fiscal deficits, and higher retirement ages (see Brzeski & Fechner, 2019). Attention in the media primarily applied to the eurozone but the U.S. returned as a place upon which Japanification crept. None other than Larry Summers (2019, para. 7), previously skeptical of Japan-style conditions of stagnation, argued in a *Washington Post* article that the Fed needed to act decisively:

> Allowing a recession with inadequate firepower to confront it risks 'Japanification'—a situation where interest rates are permanently pinned at zero and deflationary pressures take hold. The Fed will be able to do too little in combatting the next recession, so it is especially important that it's not too late.

A few months later, Summers again appeared to warn of rough waters ahead for the U.S. economy:

> [Summers] sees a nearly 50% chance of a U.S. recession before 2021 . . . the negative real long-term interest rates that prevail throughout major industrialized nations will leave central banks with little weaponry to fight economic weakness and could create a "black hole" where both economic growth and inflation stay very low. (Weil, 2019, para. 2-3)

He is quoted as saying "we're only one recession away from 'Japanification' . . . I would hope to see significantly more easing" (Weil, 2019, para. 16-18).

In early January 2021, the American Economic Association annual meeting held a keynote panel entitled 'Japanification, secular stagnation, and fiscal and monetary policy challenges'. Summers was joined by Mario Draghi, Adam Posen, and Janet Yellen (former chair of the Federal Reserve). Olivier Blanchard (former chief economist of the IMF) was the original convenor of the panel though sent his regrets. The threat of Japanification set the table for a technical discussion of the challenges faced by mature western economies and represented the crossing of an intellectual Rubicon, of the public frenzy surrounding Japanification finally recognized in a serious academic forum with some of the most influential voices in economics, in a professionalization of the discourse. Furthermore, the main takeaway from the panel—assembling a kind of new consensus—was a crossing of a Rubicon of another kind: an argument in favour of central bankers working closer with political authorities on macroeconomic stabilization. Russell Lynch (2020, p. 8) with *The Daily Telegraph* writes:

> The collective message from the central banking fraternity as we head into the new decade is that it is up to the politicians to splash out. Central bankers are not quite out of ammo, but it is "unlikely to be sufficient" and "should not be the only game in town," according to Yellen . . . Draghi, who appeared by video link, repeated a refrain often heard in his Frankfurt days, urging European governments to open their wallets to support the policymakers throwing the kitchen sink at low inflation.

We will return to this sentiment in the U.S. context, exploring how the norms around CBI have markedly shifted over the past several years.

Needless to say, everything would change in two months when the COVID-19 pandemic sent the world into lockdown. With a recession already on the table, circumstances looked dire. But what followed was the most extreme and interventionist response to a shock in modern history, offering a unique moment for policy to stretch far past former boundaries. The pandemic was but a spark for a trail of ideational gunpowder accumulating under the feet of macroeconomists and policymakers since the 2007-08 crisis—its contours visible in our review of the lost decade myth and the rise of Japanification.

3.4 Le capitalisme libéral est mort, vive le capitalisme libéral?

There has been a clear shift in ideology in how the west governs economic dysfunction. These shifts can be reducible to a general movement toward a discretionary and Keynesian philosophy of intervention. Some of the material institutional changes were referenced in the aforementioned account of Japanification—for example, the uptake of QE by western central banks and the closer coupling of monetary and fiscal policy. The following provides further detail within the American context, to be read alongside the rise of the Japanification discourse. Furthermore, I comment on a more conjectural development that I argue is correlated with this movement: America's intensifying embrace of neomercantlism and industrial policy. This thesis has not engaged too closely with industrial policy (save for discussing Japan's role in constituting the imaginary of the developmental state) but developments during the Biden administration suggest that it should be understood as a modality driven by the same logic as the rise of fiscal and monetary policy discretion.

Both movements reflect a general shift in the character of the American state from a "Smith-Ricardian" basis of economic rationality toward one which reflects, in ideal-typical terms, a "Listian-Keynesian" emphasis, where state intervention is used to actively alter the nation's "natural" advantage (to borrow a distinction from Selwyn, 2011). Furthermore, this shift also represents a turn *back* toward a Republican protectionist tradition founded on the ideas of Alexander Hamilton and Henry Carey, acknowledging how the U.S. was once popularly understood as a developing state actively attempting to improve its position in the international division of labour (Helleiner, 2021; Hockett & Omarova, 2015; 2020; Link & Maggor, 2020). It is built on a policy consensus which nominally returns to quasi-Keynesian fundamentals and corners regulatory agencies like central banks to expand their practices of intervention. The argument here does not reflect on how there is "more" or "less" intervention today but, rather, on how the character and scope of interventions expressed in the U.S. suggest the introduction of a qualitatively distinct "paradigm" of economic policy.

3.4.1 The rise of UMPTs and the erosion of CBI in the U.S.

Over the past two decades the American state has grown comfortable in using the policy architecture of the Fed to generate progressively broader and deeper interventions in the economy—moving past a mandate focused on the technocratic exercise of maintaining price stability and full employment, and toward one which includes a much more activist role in addressing wider social issues. This is particularly reflected in the adoption of UMPTs as part of the Fed's standard operating procedure (Cecioni et al., 2018; Kuttner, 2018; Potter & Smets, 2019; Selgin, 2020), and the more general debate about the erosion of CBI and the increased coupling of fiscal and monetary policy (Adolph, 2013; Blancheton, 2016; El-Erian, 2012; Holland, 2020; Jones & Matthijs, 2019; Skinner, 2021; Tooze, 2020; Wray, 2014).

3.4.1.1 UMPTs

Conventional monetary policy measures refer to tools used to influence short-term interest rates; namely, open market operations, setting minimum reserve requirements, and offering standing facilities for overnight liquidity. These are tools used to administer the central bank's statutory objectives—i.e., maintaining control over the inflation rate and maximizing employment. Non-standard or "unconventional" monetary policy tools refer to measures applied during periods of dysfunction such as a financial crisis. According to the Committee on the Global Financial System (CGFS) of the BIS, UMPTs reestablish the monetary policy transmission chain and provide additional stimulus once conventional policy instruments are constrained by the effective or zero lower bound (Potter & Smets, 2019). The CGFS reports that such tools have seen a uniquely broad deployment marking "an important departure from conventional policy as understood prior to" the global financial crisis (Potter & Smets, 2019, p. 1; see also Cecioni et al., 2018; Kuttner, 2018).

Per the CGFS, UMPTs are divided into four categories: lending operations, large-scale asset purchase programmes, negative interest rate policy, and forward guidance. *Lending operations* encompass actions which expand liquidity in the economy and resolve disruptions in monetary policy transmission mechanisms (i.e., lending facilities like the Fed's Primary Dealer Credit Facility created after the collapse of Bear Sterns, where the Fed directly lent to financial institutions—including investment banks). *Large-scale asset purchase programmes* most noteworthily include QE—the U.S. has executed four rounds of QE since 2008. *Negative interest rate policy* (NIRP) refers to when central banks set their nominal target rate below the ZLB to depress money market rates. The Fed has not applied NIRP though the federal funds rate sits near the effective lower bound. Bernanke suggested that "the Fed should also consider maintaining constructive ambiguity about the future use of negative short-term rates" to preserve "space" for policymakers in an uncertain environment. *Forward guidance* refers to a routine programme of providing markets with clarification on whether central banks will maintain or alter target rates and other policy expectations—especially their "willingness to pursue extraordinary policy actions for an extended period of time" (Potter & Smets, 2019, p. 12). The Fed has been using forward guidance in some form since the early 2000s, becoming more aggressive and precise in its use since 2011 (see also Kuttner, 2018).

Belying their use as a crisis response tool, UMPTs have increasingly become associated with "normal" times. In the U.S., positions which had accrued on the Fed balance sheets as a result of QE were never fully wound down. Forward guidance continued. The target federal funds rate largely stayed near zero (although it was slowly increased from 0.25% to 2.5% from 2017 to 2020). Any potential movement away from UMPTs was foreclosed when the COVID-19 pandemic and UMPTs once again became central to the Fed's macroeconomic policy response. The balance sheet exploded to a historically unprecedented level (nearly $8 trillion versus $4.5 trillion in the 2010s). Target rates were lowered again to near zero. Old lending facilities were reactivated and new highly unorthodox lending facilities were created (i.e., the Main Street Lending Program which lent directly to small and medium-sized businesses and non-profit organizations—more on this shortly). Forward guidance reasserted its key role in stabilizing market expectations. In a speech entitled 'When the unconventional becomes conventional" in late 2020, Claudio Borio (2020, p. 1) of the BIS noted that "central bank tools for normal and crisis times are increasingly hard to distinguish." Likewise, Bernanke (2020, para. 26) suggested just prior to the pandemic crash that the "new monetary tools, including QE and forward guidance, should become permanent parts of the monetary policy toolbox."

The most important distinction to draw from this movement toward a "permanent" adoption of UMPTs is the Fed's seemingly implicit acknowledgement of the dysfunctional character of markets to a degree, away from fundamentalist assumptions about economic behaviour and an increasing comfort with state intervention. The policy framework of the Fed today has drifted away from the austere Taylor-rule fundamentals of inflation control under

Greenspan (1987-2006) and toward a discretionary basis of central banking policy. Recalling the 2007-08 crisis, the economist and former Fed governor Frederic Mishkin (2018, p. 230) notes bluntly that "if the Federal Reserve had not used discretion and departed from the Taylor rule, the economic outcomes could have been truly horrendous . . . Indeed, the possibility that the Great Recession would have turned into a full-scale depression cannot be ruled out." During the pandemic, Atlanta Federal Reserve president Raphael Bostic went so far as to claim that rising inflation is positive, that "a healthy level of inflation is a sign that the economy is healthy, the economy is going to be dynamic and growing and that should translate into jobs for the people who everyone is concerned about at the lower end of the wage distribution" (Cox, 2021, para. 11).

3.4.1.2 CBI

Alongside the integration of UMPTs into the standard operating procedures of the Fed, the understanding of CBI appears to be under reconsideration. Far from performing its ideally laconic role as an independent bureaucratic custodian of the money supply, maintaining price stability through the interest rate, enforcing regulatory standards for commercial banks, and serving as an occasional lender of last resort, central banks have after successive crises become increasingly visible and interventionist state institutions working in closer quarters with political state authorities—the Fed is no exception. In recent memory, debate about this has produced a genre of diverse commentators (e.g., Adolph, 2013; Binder & Spindel, 2017; Conti-Brown, 2016; Crook, 2020; Selgin, 2020; The Economist, 2019; Tooze, 2020; Wachtel & Blejer, 2020).

CBI refers to "independence in personnel matters, financial independence, and independence with respect to policy"—similar to how powers are separated in the *trias politica* of many modern governments, it protects central banks from interference in their appointment of staff, their financial credit, and their ability to create policy autonomously in support of assigned goals (Eijffinger & Haan, 1996, p. 2; see also Friedman, 1962). It is a check on the temptation for government to use the central bank to fulfill near-term political objectives. Overwhelmingly, the primary reason CBI became an uncontested best practice is because governments that apply it seem to experience lower levels of inflation—Adolph (2013, p. 5) summarizes the logic of CBI under the premise that "elected governments, even if they understand that easy money is no free lunch, are tempted to occasionally stimulate the economy through unexpected jolts to the money supply. Unless this temptation is banished, inflation will be permanently higher" (see also Bernanke, 2010b; Kydland & Prescott, 1977). The other main reason is that CBI protects central banks from pressures to create credit for public spending, where "the more independent the central bank is, the less the monetary authorities can be forced to finance deficits by creating money" (Eijffinger & Haan, 1996, p. 5)—ensuring that the central bank does not act as a cashier to government.

CBI is legally enshrined in the foundations of many central banks: for example, the Monetary Accord of 1951 separated the U.S. Treasury's debt management powers and the Fed's autonomy over monetary policy. Despite the widespread acceptance of CBI, central banks today have their financial and policy independence challenged by the political requirements of government and private corporate actors, with the relationship between central banks and government more versatile than *de jure* idealism suggests. Some have even cast the reality of independence as a virtue that never fully existed in practice. Using the case of the ECB, Kathleen McNamara (2002, p. 60) highlights the distributional effects created by the decisions of central bankers, finding that the delegation of authority to independent central banks is more a symbolic than substantive policy rooted in the norms of neoliberal governance—"in an increasingly globalised international financial market, central bank independence is one way of signalling to investors a government is truly 'modern', ready to carry out extensive reforms to provide a setting conducive to business" (see also Fernández-Albertos, 2015; Hartwell, 2019; Polillo & Guillén, 2005). In a multi-country study which includes the U.S., Adolph (2013, p. 1) observes "substantial differences in interest rate decisions, inflation rates, and in some cases, real economic performance, especially in countries with independent central banks," illustrating how "shadow principles" have shaped the behaviours of central bankers of many advanced economies in the latter half of the twentieth century.

Developments in the U.S. appear to confirm this, with the global financial crisis seen as the end of the "heyday" of CBI (Jones & Matthijs, 2019). The pandemic further buried CBI in its staging of dramatic cooperative responses by the Fed and other political apparatuses of the state. Lending facilities advanced through the CARES Act such as the aforementioned Main Street Lending Program promoted explicit partnerships between the Treasury Department and the Fed (Menand, 2021). In doing so, the Fed has effectively operationalized the theoretical idea of "debt monetization" (also known as "monetary finance") where governments finance fiscal spending not through tax increases or budget reallocations but through the seigniorage privileges of central banks. Governments issue bonds purchased on a guaranteed basis by the central bank or central banks can even directly credit governments with funds (Holland, 2020; Turner, 2015). Case in point, the pandemic interventions have elicited a variety of responses, with historian Peter Conti-Brown cheekily noting how "the Federal Reserve has become your friendly neighborhood loan officer" (Smialek, 2020, para. 24). Republican senator Pat Toomey charged that "it is not the role of our central bank, the Fed, to engage in fiscal policy, social policy or allocating credit" (Saraiva & Condon, 2020, para. 9).

In Christina Skinner's (2021, p. 4) terms, this adds up to a form of "mission creep" for the Fed, where it has become a broadly political actor; social, economic, and political conditions have "put intense 'pressure' on central banks to 'multitask'." The Fed is called upon to apply its extraordinary interventionist powers when the elected legislature and executive fail to, or choose not to, operationalize active directives. Furthermore, identifying how the Fed has interacted with mandates which can be increasingly understood as "developmental," Robert Hockett and Saule Omarova (2018, p. 456) note a void in the financial infrastructure for an institution to undertake long-term financial commitments in support of economic growth; they advance how:

> The Fed, as the country's central bank, has acted partly to fill the resultant void, developing monetary policies that effectively replicate some of the currently missing elements of traditional fiscal policy. But the Fed lacks the tools to engage in more nuanced targeting of the kind associated with active developmental policy. And even its tentative efforts at policy innovation have brought controversy as representing a significant departure from traditional central bank mandates.

The void, and the Fed's overstretched mandate, is such that Hockett and Omarova suggest the creation of a "third" institution which sits "between" the U.S. Treasury and the Fed called a "National Investment Authority," (NIA) which would mediate many of the pressures placed on the Fed to engage in quasi-fiscal and developmental mandates (see Omarova et al, 2020). We will discuss this initiative shortly, which was tabled in Congress through the *National Investment Authority Act* during the Biden administration. As an aside, Hockett and Omarova (2015; 2020) have discussed the rise of a "developmental finance state" in the U.S., with the direction of private capital markets toward long-term state economic objectives.

3.4.2 The rise of neomercantilism, industrial policy, and nascent developmental statism in the U.S.

As comments by Skinner, Hockett, and Omarova imply, the question of development is wrapped up within shifts in the fiscal-monetary policy complex in tangible ways. The following is much more prospective but conceives of the renewed attention paid to industrial policy as a cognate of the shifts in fiscal and monetary policy discretion. This push is closely attached to discourses about the rise of China but echoes, on one hand, the reactive narratives applied to Japan during the 1980s and, on the other, the policies Japan supposedly applied itself to incur an advantage in global trade.

In 2021, Krugman wrote the following in his column, reflecting on the return of the industrial policy debate in the U.S. and its motivation by the threat of China:

> If you're under 50, you probably don't remember when Japan was going to take over the world. But in the late 1980s and early 1990s, many people were obsessed with Japan's economic success and feared American decline . . . The policy side of Japanophilia/Japanophobia took the form of widespread calls for a national industrial policy: Government spending and maybe protectionism to foster industries of the future, notably semiconductor production . . .
>
> We seem to be entering a new era of worries about the role of the United States in the world economy, this time drive by fears of China. And we're hearing new calls for industrial policy. I have to admit that I'm not entirely persuaded by these calls. But the rationales for government action are a lot smarter this time around than they were in the 1980s. (Krugman, 2021)

Here, I want to focus less on the historical record in the U.S. with respect to its developmental past (on this I defer to Block 2008; Hockett & Omarova, 2015; 2020; Link & Maggor, 2020; MacNeil, 2017; Wade, 2012; 2014; 2018) and more on recent events which hint at both an increased appetite for developmental policies and their active operationalization. I will briefly discuss the *U.S.*

Innovation and Competition Act (USICA), *Industrial Finance Corporation Act*, and the draft *National Investment Authority Act*, all introduced in 2021.

If not completely open to developmental policies under a plan-rational statism at the federal level, there is a significant shift since the global financial crisis—and especially since the Trump administration—in its attitudes toward neomercantilism and associated industrial policy. It is also distinct from the past "Hamiltonian" neomercantilism with respect to its intended response. As Helleiner (2019, p. 22) writes:

> There are important differences . . . To begin with, Trump has embraced a more offensive style of neomercantilism than that of Hamilton and Carey, involving the active projection of power abroad to bolster American interests. For example, a key goal of the Trump administration's protectionist policies has been to pressure foreign governments, such as China and others, to open foreign markets to US goods and firms and to support the activities of American firms abroad . . . Trumpian economic nationalism seeks to use America's dominant global economic power strategically to serve American interests, whereas Hamilton and Carey were focused on defending American sovereignty in the face of British dominance.

While Trump's policies were more reactive, the spirit of his economic nationalism is carried in Biden's more proactive approach to developmental industrial policy. In addition to sweeping multi-trillion-dollar infrastructure and social security spending proposals that have elicited "New Deal" comparisons, the first year of his administration has seen the Senate approval of the bipartisan-supported USICA (which builds on a previous Republican "Endless Frontier" proposal by Chuck Schumer and Todd Young; see Herb et al., 2021). This legislation has been explicitly tied to curbing China's economic influence on American trade and production, with focused investments in the billions for localizing manufacturing of strategic inputs (i.e., semiconductors), research and development in areas like artificial intelligence, quantum computing, energy, and biotechnology, and the creation of state-run technology hubs. Prior to its successful vote in the Senate, the *New York Times* noted that:

> Mr. Schumer and the bill's other sponsors have steered clear of the phrase 'industrial policy', knowing that would revive a 30-year-old debate about whether the government was picking winners and losers . . . That argument goes back to the days of the Reagan administration, when the biggest threat to America's semiconductor and auto industries seemed to be Japan, and the federal government started some small-scale initiatives, including one called Sematech, to reinvigorate the semiconductor industry. (Sanger et al., 2021, para. 6; see also Siripurapu, 2021)

But USICA provoked a response anyway, understood for what it was: an industrial policy bill. The *Wall Street Journal* (2021, para. 12-15) editorial board released an opinions piece declaring how:

> Many Republicans support the bill because they believe the U.S. needs to mimic Beijing's directed capital to defeat Beijing. But the U.S. strength has always been its capitalist system, which encouraged private investment and innovation through market competition, strong intellectual property rights, and, yes, profits. That's how the U.S. transcended Japan's challenge in the 1980s and 1990s . . . the industrial policy of this bill will waste taxpayer money and divert private capital to less efficient purposes. America can't out-compete China by imitating it.

Despite some predictable conservative opposition to USICA, other proposals have also been gathering steam which reflect a clear push toward the norms of industrial policy in the U.S.

Chris Coons, a Democrat senator from Delaware influential in pushing through USICA, also proposed the *Industrial Finance Corporation Act*, which could create a "bank owned by the U.S. government that would fill the 'manufacturing gap' and finance high-tech production nationwide" (Meyer, 2021, para. 16). Such an organization would provide "patient capital" in the form of long-term equity and loans, and make purchase guarantees for firms—serving as a domestic "twin" to the U.S. Development Finance Corporation, which makes investments abroad.

On Coons' Senate website, a press release notes how the initiative earned a glowing review from the Information Technology and Innovation Foundation as a purveyor of "non-market-competing" capital and from the Berggruen Institute as a source of public finance which creates a "more equitable and productive capitalism for the twenty-first century" (Senator Chris Coons, 2021, para. 14). The fate of this Act remains open, but it enjoys strong support in the Democrat wing of the Senate.

A related initiative includes proposals for the creation of an NIA. Interestingly, this proposal began life in Congress within the *Housing is Infrastructure Act* of 2021, along with proposals for several housing funds (i.e., Public Housing Capital and Housing Trust Funds). The section on the NIA notes that the organization would be directed by a "national investment strategy" determined by a governing board and composed via a regional system of National Infrastructure Banks. An NIA would mobilize, amplify, and coordinate "investment of public and private capital over different time horizons" to develop domestic manufacturing capacities and the production of public infrastructure (Housing is Infrastructure Act. 2021, p. 67). A discussion draft bill for a *National Investment Authority Act* also details a National Capital Management Corporation which focuses in particular on critical infrastructure projects (National Investment Authority Act, 2021). The comparisons to Chalmers Johnson's (1982) proposition of a "pilot" agency for coordinating investment in the U.S. are not difficult to see; and while the focus at this stage is much more on enabling domestic production versus capturing international market share, the centralization of a planning logic for the purposes of enabling specific forms of industrial production is, inarguably, a developmental logic of plan rationality. While their level of direct influence on the proposal is unclear, the work of Hockett and Omarova—who have submitted multiple white papers advocating for an NIA, one of which is hosted on the U.S. Senate Committee on Banking, Housing, and Urban Affairs website (Hockett & Omarova, 2017)—are familiar with the developmental state arguments, as indicated in their earlier paper which reflects on the "deep irony behind America's present self-image as a genetically-encoded laissez-faire state" given its own vernacular brushes with Hamiltonian developmentalism (Hockett & Omarova, 2015, p. 113). As an aside, Omarova is currently President Biden's pick to lead the Office of the Comptroller of the Currency which oversees U.S. banks, where the discussion leading up to her Senate confirmation has focused closely on her progressive opinions on bank regulation and private sector reform (see Flitter, 2021).

The uptake of developmental-esque policies in the U.S. reflects a shift in acceptance toward the sentiment that relying on innovation and "progress" driven by a state's natural comparative advantage is insufficient for reproducing the American state's position in the international division of economic power. Whether the U.S. will continue to institutionalize developmental initiatives is yet to be seen—as is whether such policies are indeed substantively linked to improved economic outcomes; nevertheless, the momentum behind these initiatives, particularly in their ability to generate bipartisan support in a historically divided period of American politics and in the relative continuity in attitudes between the Trump-Biden administrations, suggest their importance to the discourse about regulation in the coming future.

3.5 New regulatory norms in the post-crisis conjuncture: After neoliberalism?

The regulatory arrangement constituting the American economy on the eve of the global financial crisis was one which progressively emerged from the breakdown of Fordist-Keynesianism as a stable and reproducible regime of accumulation. Unable to further drive the realization of relative surplus value, the postwar regime which maintained a historic compact between labour and capital folded, with the introduction of chronic stagflation during the 1970s (Aglietta, 1979). This served as the impetus, as the story goes, for the rise of "neoliberalization." In the absence of a stable scaffold of ideas for interpreting and steadying the newly dysfunctional economy, a major affront was orchestrated by economic conservatives toward a new policy consensus which leaned on rational expectations and public choice theories, monetarist understandings of macroeconomic behaviour, and a basic *laissez-faire* market fundamentalism (Blyth, 2002; Cahill et al., 2018; Harvey, 2005; Peck, 2010). The product of this new consensus was a policy environment which focused on the cutting of public spending and social programming, tax cuts, reducing barriers to investment and trade, privatization, and financial deregulation. In heterodox circles, this narrative has reached the status of hegemonic canon, with a religious recitation of developments in the names of Kemp-Roth and Glass-Steagall, the deregulation of energy, telecom, and finance, and international (mis)adventures in Chile and Iraq.

When discussing "neoliberalism" and its suffixed variants, one inherits an incredibly rich but analytically awkward debate about definitional contours, actually existing features, ideal-typification, institutional dynamics, periodization, process, and other contested matters (see especially Cahill et al., 2018; also Dunn, 2017; Peck, 2013; Peck & Theodore, 2019). Accordingly, I am cautious in defining the regulatory arrangement which succeeded Keynesian-Fordism—and the one that we "depart" from in considering the recent discretionary and interventionist turn— as a coherent system of "neoliberalism." I do, however, use the term to bracket off a particular period of regulatory transformation with enough conjunctural coherence to necessitate a continued holistic engagement with its specific dynamics, norms, and contingent potentialities. I am especially sympathetic with the open-ended, combinatorically interdependent, mutative, and variegated conception of neoliberal*ization* versus the static and loosely signified idea of a nominally coherent neoliberal*ism*—and hence use neoliberalism to refer to the evolving "matrix of articulations" which continually made and remade the American political economy (Peck & Theodore, 2019, p. 246; see also Brenner et al., 2010; Peck & Tickell, 2002). This matrix of articulations is constituted by regulatory maneuvers emergent since the late 1970s which relatively consistently, albeit not exclusively, reflect market revanchism, privatization, globalism, radical individuation, deregulation, and a rollout of crisis-driven governance—without being tied to a specific functional ensemble or repetitive process in a given instance. Furthermore, neoliberalism carries a specifically *ideological* character, gripping "our common sense and intuitions" (Konings, 2010, p. 743). In understanding a shift within, from, or toward a form of neoliberalism, its ideational and discursive contours—as they pertain to establishing a hegemony over thought and collective action—are as important to consider as nominally "material" regulatory transformations.

In principle, the institutional developments discussed in the previous section acknowledge the persistent forces of neoliberalization operating within the politics of economic dysfunction that have existed since the crisis of Fordist-Keynesianism. If one understands neoliberalism as a "creature of crisis"—operating not as a reaction to crisis but, on the contrary, thriving on its logic of disorder—and acknowledges that the series of crises in advanced industrial economies since the 1970s enjoy a degree of familial links across time and space, then one should contend with an obstinate, if ever-evolving, logic of neoliberal restructuring even at present (Peck, 2010; Peck et al., 2010; Vidal, 2013). However, recent developments in the U.S. suggest a qualitative shift toward a newly Keynesian and Listian policy consensus (albeit not without a flavour of revanichism). The expansion of macroeconomic intervention and the adaptation of neomercantilist and developmental statist strategies of economic development do not automatically speak to a nullification of neoliberalism but do intimate the need to create some intellectual distance from its ontological tooling—to avoid inheriting too many assumptions in a description of patterns and to alleviate the risk of representing this moment as simply yet another instance of mutation and variegation (see also Aalbers, 2013).

Thus, within this context the global financial crisis is depicted as the beginning of an important conjuncture for American neoliberalism—not necessarily heralding its death, but at the very least indicating a new period where competing ideological bases for regulatory transformation openly interact and contend with it. Far from serving as countermovements which ultimately pursue the reassertion of neoliberal reason, these competing bases should be analyzed as proactive forces emanating not *within* but as pressing *against* neoliberalism from its outside, seeking to destabilize it in order to introduce a new ideological consensus better suited to reproducing capitalism in the long-term. With that said, this is less an argument for marginalizing the power and persistence of neoliberalism, and more for heeding the global financial crisis as an event with major, if latent and contingent, powers of ideological transformation. While one cannot quite yet make the argument that the financial crisis was a true crisis *of* neoliberalism, it is equally unreasonable to make the argument that the logic of the crisis is fully contained *in* neoliberalism. As an economic imaginary lending the world order, it is on shy footing.

3.6 Japanification and institutional change

Japanification is not conceived as "causing" institutional change in America, but neither is it merely "anticipating" it. Representations of Japan—in success or failure—are not absolute signifiers of change but neither are they merely apolitical bearers of anxiety and hope. They are products of the west's imagination and idealism but, in their travels through various discourses and narratives, leave a residue on material institutional circumstances—as they themselves were once the product of understandings drawn from material conditions of economic change. They are, in a phrase, the product of paths being shaped but also partially path-shaping themselves.

The historical exercise of this chapter was to define and contextualize the mainstream use of Japanification while also excavating its properties as a synthetically constituted myth—in how it over time assumed an exaggerated quality correlated with the quite specific political objective of creating more ideational room for unconventional forms of macroeconomic policy. In the time the narrative has proliferated, western central banks have adopted UMPTs and assumed a more discretionary stance toward policy. The bias toward managing inflation has declined. The norm of fiscal and monetary policy separation—embedded in the norm of CBI—continues to be questioned and eroded away. Notable Keynesian economists influenced the development and perpetuation of this discourse—especially an individual once understood as a "gatekeeper," and now a critic, of the economics profession's status quo, Paul Krugman (Tooze, 2021). The goal? To stave off the prospect of a prospective economic crisis which would send the western political economy into a situation of permanent stasis, with no way out. And, to preserve the broader logic of the system of social organization—reproducing commitments to its most fundamental invariants at the expense of some long-held but now tired convictions.

As the reader no doubt picked up, Japan was not the only narrative operationalizing these changes in ideology—it navigated other, new narratives that chafed the bounds of economic orthodoxy: a rising China being a major one. Part of focusing on Japan, however, is to demonstrate that shifts in the norms surrounding policy cannot and should not be underdetermined to a single narrative, however geopolitically mountainous it may appear to the political collective. Additionally, positioning the rise of the Japanification narrative alongside major revisions in the west's regulatory architecture illustrates the provincial nature of the western political economy; its supposed universality and exceptionalism, while certainly occupying a distinct intellectual location, is but “one path among many, rather than the analytical template for all” (Link & Maggor, 2020, p. 272). It is an experience born from the same process of self-doubt, lesson-drawing, and iterative change as other countries; as a product not of its particular social conditions but the constraining logic of a greater whole with which it is part of.

Chapter 4: Conclusion

> "I told the President [Reagan]," Nakasone noted in his memoirs, "You be the pitcher and I'll be the catcher. Sometimes the pitcher has to listen to what the catcher has to say."
>
> Former Prime Minister of Japan Yasuhiro Nakasone,
> quoted in H. D. P. Envall, *Japanese Diplomacy: The Role of Leadership* (2015, p. 155)

This thesis began by positing how representations of Japan's economy constitute a privileged set of symbolic ideas for enacting shifts in what is considered normal and natural for governing the economy in the west. Chapter 1 proposed a vision of Japan's imagination as containing a rather exceptional "floating" power of signification, a "Goldilocks" quality, enabling nominally heterodox and reformist ideas to contest and renegotiate the liberal orthodoxy behind economic governance. This power was lent by Japan's *complicit* performance of particularity against the west's nominal universalism—a resilient universalism but one nevertheless fragile and subject to recurrent renegotiation. Thus, this thesis characterized Japan's imagination in the west as a *universal particular*, referencing the tendency for it to serve as not *a* but *the* particular against which the west measured and negotiated its universalism, at least where the economy is concerned. The development of this position was founded on a general appreciation for the important role that ideation plays in constituting political economies, informed by the work of discursive institutionalism and cultural political economy. Such work was augmented by understandings that ideation occurs within systems of meaning which regularly latch on to the dialectical efficacies of binary opposition inherent in orientalist framings. From this sprung the proposition of four regularities emergent within the Japanese case of representation in the west, nascently visible in the beginning of the postwar period of economic recovery and expansion, and maturing after the Japanese imaginary reappeared following the 2007-08 global financial crisis: in how (a) such representations displace the inherent crisis tendencies of capital by (b) framing new metanarratives which reposition how subjects and objects are related in the economy, allowing ideas which more effectively contribute to the continued reproduction of capitalism to be institutionalized, since (c) ideas, while symbolic and immaterial, are strategically produced and instituted in and from material conditions and exhibit a partial capability for path-shaping, and that (d) in the displacement of capital's crisis tendencies in this way, the hegemony of the west's universal experience is reproduced.

The emergent quality of these regularities, exhibited fully in the post-2008 era, are visible during the preceding postwar economic miracle, as part of a contiguous ideational lineage. Chapter 2 identifies three moments where this is evidenced: the industrial convergence and modernization debates of the 1950s to 1970s, developmental state literature in the 1980s, and postfordism and flexibility debates of the 1980s and 1990s. Representations of Japan began as culture-bound cases of (seemingly illiberal) alternative development rubrics, transitioning into "mirrors" for the west's universalism, before evolving into ideal-typical "models," and then, finally, becoming themselves delegates of a prospectively inevitable universal. At this last inflection point, however, admiration turned to fear, and the limits of Japan's potential for serving as a true universal were revealed. The Japanese experience of development remained always aberrant to a "normal" course exemplified by the western experience, even when confidence in America's continuing prospect for economic dominance began to seriously slip. Nevertheless, from the beginning to the end of this period, representations of Japan extended a capability for introducing heterodoxy—primarily in their championing of a cooperative ideal for capitalist accumulation based in a skepticism of markets and trust in state intervention, and the principle that such an ideal can be willed into existence through political action. They foregrounded operations of variation, selection, and retention of new economic ideas. While the Japanese experience ceased to inspire intellectual—let alone general—exchange after the 1989 bubble burst, it would inspire a similar process of ideational foregrounding in the post-crisis era.

Chapter 3 turns to the present "long interregnum," reviewing the expanded proliferation of a new Japanification discourse after the global financial crisis. While this discourse draws on a very different character of Japan's prospects—that of its probable decline—it reproduces many of the same regularities from before: namely, the capability for representations of Japan to introduce heterodox ideas, serving as a universal particular. This discourse arrived at a time when macroeconomists are caught "pushing on a string," seeking ways of managing economic dysfunction at the zero lower bound. Consequently, these ideas generally circulated as an agenda for a more muscular form of statist intervention to manage economic dysfunction, deleveraging the hold of rules-based inflation-centric governance over monetary policy and advocating for discretion and a closer cooperation between monetary and fiscal policy. They take shape in an organized—even familiar—form, in their marshalling into a nominally Keynesian ("with Listian characteristics") rubric. Undertaking the work of establishing affinities between Keynesian policy and the current problems facing Japan were influential economists who reproduced the narrative of a "lost" decade of unrealized growth. This affinity was then translated to the western context in the continued careful universalization of the Japanese experience of economic development, suggestive of its quality as a "preview movie" and, as termed in this thesis, *early decliner*. Concomitant to this translation was the rise of UMPTs and erosion of CBI in the U.S., alongside a neomercantilist turn characterized by a nascent embrace of industrial policy. While the

Japanification discourse is in no way *directly* causing these shifts, it both expresses and reinforces the logic underpinning it: a logic driven by anxiety for the continuing prospects of growth under normal conditions of governance.

In the process of developing these arguments, two further, if tentative, propositions emerge. The first reflects America's capability for institutional backwardness. While not accepting the exaggerated convergence logic of Japanification *per se*, there remains a sense—as Ron Dore explored nearly five decades before—that Japan lurched "ahead," institutionally speaking, of western countries in its rapid and combined process of development. "Ahead" does not refer simply to the advanced development of institutions which promote high growth; rather, it foreshadows a state of existence for advanced industrial economies after growth is no longer a tenable social objective. This is provocative even in its most diluted and caricatured form; the U.S. is selectively echoing—*without necessarily consciously adapting*—certain elements of the Japanese experience to mediate its economic dysfunction. Embedded in this shift, is there a kernel of reasoning which references the possibility of decline, albeit long-term, in the ideational folds of the American political economy—currently being worked out as it undergoes its own form of "late" development and catch-up? This remains an open question, requiring further systematic work on the American case. At the very least, if one accepts that Japan has internalized the prospect of economic decline in its institutional structure, there is some sense in taking seriously the logic that Japan as an "early advanced industrial decliner" incubates social forms which are not uniquely bound to its national context but are, rather, local representations of a broader, more universal phenomenon.

The second proposition is no less tentative but remains a provocation worth meditating on. Neoliberalism emerged as an explanation for the regulatory logics that unfolded after the crisis of

Fordist-Keynesianism. With the nascent return of Keynesian ideas, what does this say of neoliberalism's status as an explanatory scheme and actually existing experience in the west? Declaring that neoliberalism is dead is short-sighted—I am not the first nor final commentator calling for its impressive (non-)death. No doubt, whatever regulatory logic succeeding the long interregnum will contain a sublated character of neoliberalism within it—but what is "non"-neoliberal about the current shifts in regulation and how do they anticipate future norms and social forms? The adoption of Keynesian ideas might suggest two tendencies. On one hand, it reinforces the exceptionalism of the American political economy by recalling a developmental high point—America's golden period of capitalist growth and coming-of-age as the hegemonic centre of a liberal international order. On the other, Keynesianism might be serving as an intermediary for reaching the broader objective of (re-)embedding markets into society—buoyed by its hybridity with the pedigree of Listian principles, which likewise frame domestic production in the realm of a specifically *public* interest, away from the gravity of market fundamentalism and "natural" comparative advantage. On both fronts, Japan serves as an ideal and practical exemplar for the west to (re-)institutionalize the science of the demand side, along with a broader neomercantilist rubric for policy.

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