

is the author's tendency to project an almost teleological narrative in a history that does not easily warrant straightforward interpretation. This has the consequence of magnifying the role and negative impact of state interventionism in the early years and downplaying it for later years; it is far from evident that this is historically legitimate. Concretely, the author blames interventionism for the failure to stabilize prices in the immediate postwar period, whereas the reason for the latter was that the price control mechanism was inflationary *by design*, something that becomes clear from Takagi's explanation. Similarly, the reader is led to view Japan's spectacular economic growth from the early 1950s as anomalous: "[a]lthough the system of trade and payments was not free from government control, it was *nonetheless* under this system that the Japanese economy made a full recovery" (p. 59; italics mine). The discerning historian would like to see this argument explained in detail.

It is, however, with regard to the early twenty-first century that Takagi's bias toward liberalization leaves us most wanting. Can one really contend that the program called Abenomics and the varieties of policies referring to quantitative and qualitative easing are "the ultimate form of freedom—freedom to use macroeconomic policies for domestic purposes" (p. 274)? I doubt that many observers will subscribe to this assessment. Given the clear erosion of Bank of Japan independence under Governor Kuroda Haruhiko, and given the obvious politicization of notions such as inflation and debt monetization in the administration of Abe Shinzō, I wonder whether the newly won freedom is not rather a reflection of the early postwar inability to make distributional decisions in an era with obvious domestic (demographic shrinkage) and external (the rise of China) challenges.

These criticisms are, however, minor quibbles that should not detract from the considerable service Takagi has done by documenting postwar Japan's monetary history. *Conquering the Fear of Freedom* deserves to be widely read.

Investing Japan: Foreign Capital, Monetary Standards, and Economic Development, 1859–2011. By Simon James Bytheway. Harvard University Asia Center, Cambridge MA, 2014. xviii, 286 pages. \$39.95.

Reviewed by
ANDREA REVELANT
Ca' Foscari University of Venice

In his latest book, Simon Bytheway takes up the challenge of tracing a comprehensive history of foreign investment in Japan, from the opening of

the country to the West in the mid-nineteenth century up to the most recent years. The basic question he seeks to answer is: what has been the role of foreign capital in the economic development of Japan? While of obvious interest to economic historians, this question is also crucial to the understanding of Japanese politics and international relations in the last 150 years.

The book is made up of three parts. The first (chapters 1–3) discusses monetary policy in Japan from the start of the Meiji period in 1868 to World War I. The focus of the analysis is on the process that led to the adoption of the gold standard (1897) and on the latter's importance as a tool to attract much-needed foreign capital. As the author explains, pegging the yen to gold was for Japan a "powerful developmental factor" (p. 47) because it fostered confidence among foreign investors and granted the country access to credit under favorable conditions on the international financial markets. Building on this premise, part 2 opens with a chapter on Anglo-Japanese relations in the age of the bilateral alliance (1902–23). Here Bytheway explores the linkages between diplomacy and finance, pointing at the strategic interests behind British lending to Japan. Each of the next three chapters is a systematic investigation of a specific kind of foreign capital inflow, namely loans to the central government (1870–1930), loans to city administrations and to corporations (1870–1930), and direct investment in the private sector (1899–1939). Overall, this section of the book sheds light on long-term trends through the modern period.

The analysis shows, first of all, that through the issue of bonds the state played by far the leading role in the import of capital. Money raised in this way was pivotal to waging war against Russia in 1904–5. It also made a significant contribution to the development of an economic infrastructure both in Japan and in its colonies. Second, in the sources of funding there was a shift from London to New York as the principal bond market, particularly after World War I. This change reflected the decline of Britain *vis-à-vis* the United States not just from a financial viewpoint but also in broader terms of hegemonic power. Third, corporate loans had chiefly two kinds of recipients: on the one hand, parastatal enterprises that functioned as agents of the government's colonial policy, such as the South Manchuria Railway Company; on the other hand, a few big private corporations, especially electric power companies that rose in the 1920s. Furthermore, direct investment was negligible in quantitative terms as it represented just 1.4 per cent of total foreign capital over the whole period considered. Nevertheless, Bytheway argues that foreign direct investment (FDI) had a significant impact on the structural development of the Japanese economy, because it concentrated in high-end technology industries. In addition, he makes the point that several companies that benefited from foreign capital and technology transfer at this stage, as did Fujitsu and Toshiba, would eventually play a leading role in the business world after World War II.

Part 3 extends the scope of research into the postwar era. Chapter 8 tracks the gradual reopening of the Japanese economy to foreign investors despite the adoption, in the initial phase of reconstruction, of a protectionist policy that posed a strong barrier to the participation of overseas firms. Before international pressure led to a loosening of this government policy in the late 1960s, thanks to U.S. patronage Japan was nevertheless able to obtain from the World Bank a number of loans for the development of infrastructure and heavy industries. As in the case of prewar FDI, these loans were relatively small in quantitative terms but "played a vital role in the transfer of new and revolutionary technologies" (p. 204). Chapter 9 completes the discussion by focusing on structural changes over the last two decades. Economic downturn and the consequent need for external inputs of capital, the author explains, facilitated deregulation of the financial market in the late 1990s. This, in turn, has improved the environment for international cooperation in industry and trade, as exemplified by the Nissan-Renault alliance and the spread of foreign chain stores and franchises throughout the country.

Investing Japan has several merits that make it an important book. First of all, it is the first attempt to bring to an international audience a well-rounded account of how foreign capital has contributed to the development of the Japanese economy over the course of one and a half centuries. Despite the complexity of the issues under consideration, the author manages to deliver his analysis in a clear and articulate manner, making it accessible to nonspecialists in financial history. By challenging the widespread view that Japan's economic growth since the Meiji period has been essentially an autonomous achievement, this book puts the national case firmly in the context of world history. Hence, it offers a fresh perspective on international relations that goes beyond the boundaries of Japanese studies in any narrow sense. The author's arguments rest on a solid body of evidence. On the one hand, Bytheway skillfully organizes within a coherent framework information that has been sparse in the secondary literature, drawing data from the works of Horie Yasuzō, Nakamura Takafusa, and other economic historians.¹ On the other hand, he enriches this documentation by presenting the results of meticulous research in a number of archives located in London and in the United States. His contribution to the study of primary sources is remarkable with respect to prewar British documents, which illuminate the views of the Foreign Office, the Treasury, and the Bank of England on Anglo-Japanese financial cooperation. In this area, *Investing Japan* usefully complements earlier research.² The author devotes less space to U.S.

1. Horie Yasuzō, *Gaishi yunyū no kaiko to tenbō* (Tokyo: Yūhikaku, 1950); Nakamura Takafusa, *Senzenki Nihon keizai seichō no bunseki* (Tokyo: Iwanami Shoten, 1971).

2. Toshio Suzuki, *Japanese Government Loan Issues on the London Capital Market, 1870-1913* (London: Athlone, 1994); Toshio Suzuki, "Senkanki Rondon kin'yū shijō ni okeru

sources, such as the Thomas Lamont Papers. The latter source, however, is considered extensively elsewhere.³ As for the postwar period, Bytheway compensates for the lack of accessible archival sources with data collected from company journals, histories, newspapers, and websites. The book includes a series of tables that summarize neatly the flows of foreign capital by type of investment since the Meiji era. These overview lists may serve as a handy reference for scholars interested in comparative research with other countries, as well as for academic instructors of economic history classes.

Concerning the originality of his work, Bytheway states that, in contrast to the dominant opinion among “politicians, commentators and scholars,” “only a few economic and financial historians” have acknowledged so far the importance of foreign capital in the economic development of Japan (p. 88). While this is certainly true, leaving some space in the introduction for a review of the literature would have helped readers to appreciate the significance of this book. The question of the role of foreign capital in the modernization of Japan was raised by Marxist scholars as early as the 1920s, being a key element in their analysis of the prewar “imperial system.” The debate originated from Lenin’s classification of capitalist regimes, in which latecomer countries such as Russia and Japan shared a condition called “dependent imperialism”—that is to say, financial dependence on the advanced capitalist powers in carrying out their own imperialist policies. From the standpoint of economic development, the question was to assess the extent to which foreign capital, besides funding war and armaments, had actually contributed to productive activities. Another matter of inquiry was whether Japan had managed, at a certain point, to rise to the status of “independent” power. Some of the economic historians who engaged in these debates concluded that the impact of foreign capital had been relatively limited.⁴ Others saw investment from abroad as a major factor of development.⁵ The latter view was supported by research on specific business sectors, especially the electric power industry.⁶ As a result, in his contribution to one authoritative

Nihon seifu no gaisai hakkō,” in Kibata Yōichi, Hosoya Chihiro, and Ian Nish, eds., *Nichi-Ei kōryūshi*, vol. 4 (Tokyo: Tōkyō Daigaku Shuppankai, 2001), pp. 162–68; Toshio Suzuki, “Daiichiji sekai taisenzen no Rondon kin’yū shijō to Nihon kigyō,” in Abe Takeshi and Nakamura Naofumi, eds., *Sangyō kakumei to kigyō keiei: 1882–1914*, vol. 2 of *Kōza-Nihon keieishi* (Tokyo: Mineruva Shobō, 2010), pp. 279–89.

3. Mark Metzler, *Lever of Empire: The International Gold Standard and the Crisis of Liberalism in Prewar Japan* (Berkeley: University of California Press, 2006).

4. Asai Yoshio, “Jūzoku teikokushugi kara jiritsu teikokushugi e,” *Rekishigaku kenkyū*, No. 511 (1982), pp. 47–66.

5. Yamamoto Yoshihiko, *Senkanki Nihon shihonshugi to keizai seisaku: Kinkaikin mondai o meguru kokka to keizai* (Tokyo: Kashiwa Shobō, 1989).

6. Kikkawa Takeo, *Nihon denryokugyō no hatten to Matsunaga Yasuzaemon* (Nagoya: Nagoya Daigaku Shuppankai, 1995); Umemoto Tetsuyo, *Senzen Nihon shihonshugi to denryoku* (Tokyo: Hassakusha, 2000).

collection of essays, Murakami Katsuhiko could define Japan's economy after the war with Russia as a "system dependent on foreign loans" (*gaisai zion taisei*).⁷ It is to be noted, though, that this interpretation did not resonate clearly with other chapters in the same collective work. Even more strikingly, in a recent Iwanami series, acknowledgment of the "important role" of foreign capital occupies only a few lines, with reference to the work of Murakami and Suzuki Toshio compressed within the space of a single footnote.⁸ *Investing Japan* has therefore the merit of bringing to the attention of a large audience a question that is still underappreciated.

Although the book covers 150 years, its overall focus is primarily on the prewar period, reflecting the main field of research of the author. Parts 1 and 2 are a revised version of his previous work on the same subject, the main difference being the omission of the case study chapter on the gold standard in Siam.⁹ Because the author's chief aim is to demonstrate the vital importance of foreign capital in the development of the Japanese economy, he leaves on the sidelines any analysis of the domestic sources of capital formation. This approach thus omits an important part of the story, particularly after Japan's final withdrawal from the gold standard in 1931. When it comes to the question of how the Japanese government drove postwar reconstruction and high-speed economic growth, Bytheway answers by stressing the wide-ranging effects of World Bank loans, as mentioned above. Although he concedes that such loans may have represented less than 1 per cent of total domestic investment, he makes the point that their qualitative impact far exceeded their amount. Yet, what about the remaining 99 per cent? The author observes that the government, "with considerable ingenuity," kept "its leading corporate exemplars flush with yen" (p. 199). This key point perhaps deserved further elaboration in Bytheway's book, but the reader can find an illuminating guide in Mark Metzler's discussion of credit-capital formation under the postwar banking system.¹⁰ It would be fair, however, to acknowledge that the omission of some questions in Bytheway's book is the natural outcome of his choice to keep a consistent focus on foreign capital.

On a side note, this book has one minor shortcoming that has to do solely with the publisher's policy. As the author points out in the introduc-

7. Murakami Katsuhiko, "Bōeki no kakudai to shihon no yushutsunyū," in Ishii Kanji, Hara Akira, and Takeda Haruhito, eds., *Nihon keizaishi*, vol. 2 (Tokyo: Tōkyō Daigaku Shuppankai, 2001), pp. 1–59.

8. Nakamura Naofumi, "Nihon no sangyō kakumei," in Ōtsu Tōru et al., eds., *Iwanami kōza: Nihon rekishi*, vol. 16 (Tokyo: Iwanami Shoten, 2014), pp. 149–82. The passage cited is on p. 162.

9. Simon J. Bytheway, *Nihon keizai to gaikoku shihon: 1858–1939* (Tokyo: Tōsui, 2005).

10. Mark Metzler, *Capital as Will and Imagination: Schumpeter's Guide to the Postwar Japanese Miracle* (Ithaca: Cornell University Press, 2013).

tion, “the footnotes and bibliography have been largely stripped of Japanese sources” due to space constraints. This is inconvenient, as it forces the reader to search Bytheway’s earlier volume for a wealth of references. Even though cutting some pages might have reduced the price of the volume, it has also resulted in a loss of important information.

In conclusion, *Investing Japan* seems likely to become the standard work on its subject for several years to come. It brings together the results of previous research, makes an original contribution to the study of sources, and presents the matter in a way that makes it both accessible and relevant to a wide readership.

The Sublime Perversion of Capital: Marxist Theory and the Politics of History in Modern Japan. By Gavin Walker. Duke University Press, Durham NC, 2016. xvi, 245 pages. \$89.95, cloth; \$24.95, paper.

Reviewed by
CURTIS ANDERSON GAYLE
Waseda University

In *The Sublime Perversion of Capital*, Gavin Walker takes up prewar and early postwar debates about Japanese capitalism and, in particular, the work of Japanese Marxist Uno Kōzō (1897–1977) with an eye toward how we might rethink the “national question” not only from the perspective of Japanese history but in global terms as well. In this sense, the book seeks to contribute to “the globality of the Marxist theoretical project” (p. 6) and to thereby go beyond area studies into the realm of globalization through a theoretical Marxist analysis. *The Sublime Perversion of Capital* seeks to reframe the national question in Marxism from “the vantage point of the formation and maintenance of the nation-state” and to show the “inherent instability of the nation-form” through the existence of the subject as a moment of both theory and history (p. 10).

Basically, the prewar debate on capitalism in Japan took several positions on Japanese modernization. The Kōza position, supported by Moscow and the Japan Communist Party, argued that the Meiji Restoration was an incomplete revolution and that Japan needed a true bourgeois revolution in order to eradicate the feudal remnants of Japanese society. The Rōnō faction, on the other hand, argued that Japanese capitalism was “revolutionizing all social relations” and that a direct transition to socialism was necessary in Japan (p. 37). Uno was in the latter camp and thus at odds, for example, with postwar thinker Maruyama Masao (1917–96).

Gavin Walker is interested in examining how the nation-state is both