



# Book review on Hiroyasu Uemura, Japanese Institutional Post-Keynesians Revisited: inheritance from Marx, Keynes and Institutionalism Springer, 2023

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## Abstract

Professor Hiroyasu Uemura's new book revisits the intellectual heritages of Eiichi Sugimoto, Shigeto Tsuru, Shigenobu Kishimoto, Yoshihiro Takasuka, Mitsuharu Itoh, Yoshikazu Miyazaki, Hirofumi Uzawa, Tsuneo Ishikawa, under the name of the Japanese Institutional Post-Keynesians (JIPKs). They were commonly inspired by K. Marx and J. M. Keynes and had an institutional economic way of thinking. The book characterises them as "institutional economics in a broad sense" and comparatively highlights their creative rivalry. These contributions are also compared to contemporary institutional economics such as Robert Boyer and Samuel Bowles, and it is confirmed that the JIPKs' works are pioneers in this field. This book review assesses Uemura's work as a rediscovery of the intellectual heritages of the JIPKs, setting up new research agendas from an evolutionary and institutional perspective, and reconstruction of economics as a moral science. Finally, it also gives some critiques and questions, particularly asking if the JIPKs are institutional economists, and what to do to develop to achieve the author's goal.

**Keywords** Post-Keynesian economics · Institutional economics · Evolutionary economics · Marx · Keynes

**JEL Classification** B20 · B52 · E12 · E14 · Y30

## 1 Overview

Eiichi Sugimoto, Shigeto Tsuru, Shigenobu Kishimoto, Yoshihiro Takasuka, Mitsuharu Itoh, Yoshikazu Miyazaki, Hirofumi Uzawa, Tsuneo Ishikawa, Robert Boyer, and Samuel Bowles. If we are political economists or Japanese political

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economists, we may have ever heard their names at least once. But do we also know their intellectual contributions in detail? Or how can we develop their economic ideas? We can find an answer to these questions in Professor Uemura's book "*Japanese Institutional Post-Keynesians Revisited*."

Professor Hiroyasu Uemura considers the economists under the name of Japanese institutionalist post-Keynesians (JIPKs) in a broad sense. They were inspired by K. Marx, J. M. Keynes, J. Robinson, N. Kaldor, and Institutionalism and analysed the institutional structures of post-war capitalism. The JIPKs also had a critical attitude towards Neoclassical economics or Walrasian paradigm commonly but in different ways. Simultaneously, from a social thought perspective, they are advocates of the value of social democracy or civil society. The author has long learned from them and has been a leading scholar in this field. Thus, the book is also a journey of the author to explore the historical origin and roots of his institutional economics.

Two key words matter to understand the essence penetrating the whole book. One is "institutional economics in a broad sense" and the other is "creative rivalry" among modern economics. These consist of threads to the anchor of the book, and the author learned "institutional economics in a broad sense" from Tsuru Shigeto and "creative rivalry" from Eiichi Sugimoto. It is useful to start by confirming what these two keywords are. Institutional economics in a broad sense (p.3) comes from Tsuru Shigeto, which is as follows:

" A. the emphasis on the *open-system* character of production and consumption, thus a broader view of the scope of economics; B. an interest in the *evolutionary* course along which the industrial economies are moving, with emphasis on the dynamic process of *technological change* and *circular cumulative causation*; C. awareness of a growing need for guidance that can be supplied only through some form of overall social management, or *planning*; D. recognition that economics must become a *normative* science, positively formulating social goals and objectives (Tsuru 1993, p.101)."

In light of this perspective, the author provides comparative economics over seven chapters, trying to describe how JIPKs developed academic contributions and criticised and overcame the Walrasian paradigm. It is through this exercise that the author emphasises the importance of Sugimoto's concept on "creative rivalry." This concept implies the significance of academic communication on a common basis and learning constructive insights from different schools to advance academic progress (p.14).

Meanwhile, the book is motivated by the current stagnation of economic theory dominated by the Walrasian paradigm. Why do we have to challenge the current situation in economics? It is because to make a significant improvement in the current state of economics dominated by the Walrasian paradigm which weakened the institutional concepts of Keynesian economics (p.114). The author assesses that this paradigm is problematic in a stylised way (pp.15–6). First, it considers the market as an extremely simplified space with rational individuals and perfect price adjustments and complete contracts. Second, it thus exclusively

focuses on the economy, separating politics and society from there. Consequently, third, the institutional research resulting from Keynesian economics has been wiped out. Moreover, in reality, strong pressure from globalisation, environmental issues, the COVID-19 pandemic, and increasing social inequality have put civil society and democracy in crisis, which also leads the author to reconsider the intellectual legacy of JIPKs. Then, how can we achieve that goal? It is by reconstructing institutional and evolutionary economics through the intellectual heritage of JIPKs in the twentieth century and by empirical analyses based on the reality of the current world (p.127). For these purposes, inspired by Miyazaki, the author sheds light on "the total image of the economy" which each economist had in the original research in the context of the historical development of capitalism of the twentieth century (p.2). He briefly mentions their policy proposals during these periods. On these bases, he emphasises the importance of constructing the theoretical foundations of "a new political economy of institutions and evolution (p.5)."

Now is the time to learn from the JIPKs and construct alternative economic theory. I would say that this is the slogan of the book. By doing so, the book aims to provide a way to overcome the current third crisis of economic theory. I try to summarise the contents of the book as minimally as possible (Sect. 2) so that in this review I can argue more about the contributions (Sect. 3), and some critiques, questions, and remaining issues (Sect. 4).

## 2 Chapter digest

The book consists of seven chapters in total. Chapter 1 gives the aims and scope of the book, where the author provides "institutionalism in the broad sense" and "creative rivalry" as the keywords of the book. Chapter 2 goes more in detail about the motivation and direction of the book, inspired by Eiichi Sugimoto's "creative rivalry" among different schools in modern economics. This chapter mentions Sugimoto oriented disequilibrium dynamics with multi-layered structures in time and space inspired by Marshall and Marx, but it does not explore Sugimoto's economic thought further in detail. Rather, it highlights that the current situation is far from the creative rivalry that Sugimoto valued due to the Neoclassical dominance since the 1980s in modern economics. This chapter thus presents the author's assessment of what's wrong with the Walrasian paradigm, as mentioned above, in light of the evolutionary and institutional economics he advocates. The vision of creative rivalry is a prelude to comparatively examining the JIPKs' contributions in the following chapters.

Chapter 3 first apprises Shigeto Tsuru, who asked "has, or how has capitalism and its essence changed?", and then it seeks the roots of his economic thought in Marx, Keynes, Schumpeter, and the old institutionalists. Moving onto Yoshihiro Takasuka and Shigenobu Kishimoto's contributions from whom the authors directly learned a lot in his youth age, he highlights their innovative theories and analyses of the institutional structures of post-war Japanese capitalism. The author introduces the Marxian "absolute overproduction of capital" and Kaleckian "paradox

of full employment" in Takasuka's comparative dynamics of wage-price analysis. The author particularly appreciates Takasuka's productivity-change-rate differential inflation theory as a rigorous and pioneering one based on the Marxian economic theory of production prices and monopoly prices given the dual structure of large and small firms and the labour market's characteristics of the 1960s in Japan. Also, Kishimoto is assessed as a post-Marxian theorist who critically considers the contemporary Japanese economy. It is interesting that Kishimoto had already and originally found the income-attribution function of prices before Kaleckian or Régulationists wage-led growth model was presented by Rowthorn (1982) and Boyer (1988). The author indicates in conclusion that Tsuru, Takasuka, and Kishimoto have common characteristics as follows. Namely, their theory is based on the surplus approach, and from a broader social perspective, they provided systematic and institutional analyses of contemporary capitalism with a respect for citizens and civil society.

Chapter 4 is about the introduction of Keynes' *The General Theory* to Japan through the contributions of Yoshikazu Miyazaki and Mitsuharu Itoh, who are also influenced by Sugimoto and Tsuru. It starts with assessment of their representative book *Keynes, The General Theory: commentary*, in which Miyazaki and Itoh characterise Keynes' *The General Theory* as a three-class model, stock-flow macroeconomics, and the socialisation of investment. Then, the author moves on to their analyses of contemporary capitalism. He highlights Itoh's price theories characterised as rigidity and full-cost principle under oligopolistic corporations and Keynesian policy regime. It is also mentioned that Itoh emphasised the roles of civil movement and Keynesian social policy as a countervailing power, which is originally given by J.K. Galbraith, to overcome contemporary problems such as public pollution and inflation. Meanwhile, the author appreciates Miyazaki's analysis of multinational corporations as a new reality of post-war capitalism from a world economic perspective. It is also indicated that Miyazaki argued the necessity of a transnational civil society in which sympathy among society members is shared globally. Moreover, the author appraises an application of Keynesian stock-flow analysis for understanding the nature of the 1990s depression as a complex one.

Chapter 5 is about the intellectual legacy of Hirofumi Uzawa and his idea of disequilibrium dynamics and social common capital. It also examines the analyses of comparative capitalist growth dynamics, income and wealth, and the dual labour market by Tsuneo Ishikawa. First, the author reviews Uzawa's critique of Neoclassical economics on its timeless framework, assumption of the malleability of production factors, and the problem of the private system of production. Then, he focuses on Uzawa's social common capital argument. It is well known that Uzawa defines the social common capital includes institutional capital, and these provide members of a society with services that are crucial in maintaining human and cultural life. The existence of social common capital also mitigates the market and social imbalances, and the author observes here Uzawa's institutional aspect as an institutional economist. The latter half of this chapter introduces Ishikawa in his theoretical analysis of comparative growth dynamics, and his empirical analyses of income and wealth and the dual labour market in Japan. The author discovers in his theory a proto-type of post-Keynesian growth regime analysis, which compares different growth dynamics of "long-term stagnation, self-sustaining

growth cycle, and inflation barrier." They are shaped by different driving forces for growth and income distribution, and accordingly, the associated policy reaction should be also different as per different growth patterns. Moreover, this chapter also finds that Ishikawa not only analysed structural characteristics of wealth concentration and wage and skill formation of different workers but also mentioned the role of social common capital as a solution to contemporary problems.

Beyond these retrospective arguments, the rest of the book considers the present and future of institutional economics. Chapter 6 discusses Samuel Bowles' "the moral economy" and Robert Boyer's Régulation theory. Comparing their ideas, the author identifies the society and economy they describe, and how these are shaped. Bowles and Boyer present liberal society and civil society, respectively. Both share that the interaction of economic and political domains determines the subsequent formation of social preferences and norms. Bowles considers a liberal society (or moral economy) may be established by institutions promoting harmony in the interaction among the market, citizens' social preferences, and the role of a good legislator. This vision is backed by his original theory and experiments, which have revealed social preference is endogenous, social and macroeconomic context-dependent, and inseparable from the economic incentive of individuals where the incomplete contract is normal. It elucidates that too many monetary incentives may erode social preference, whereas enhancing liberal institutions and laws may crowds-in it. In this framework, we can find a sort of micro–macro-loop mediated by institutions. Meanwhile, Boyer's ideas on civil society and the renewed social democracy are close to Bowles in that institutions matter. As is well known, Régulation theory explains the dynamics of a growth regime with five institutional forms and their multi-layered coordination. In particular, the wage-labour nexus, association, and network are important determinants for shaping civil society. Horizontal coordination in these fields promotes active participation and solidarity of citizens in economic and political decisions. Macro-level configurations such as growth and policy regimes are the objective condition for individual activities at micro-level. Depending on the dynamic interaction of the state, firm, market, and civil society, how it works differs from one country to another, which shapes varieties of capitalism.

Chapter 7 prospects some possible development of institutional economics in the twenty-first century, comparing the ideas of JIPKs. Highlighting the contributions in economic theory, policy, thought of the representative JIPK, and the comparison with contemporary political economy, the author provides some perspective to advance the political economy in the last chapter. Based on the author's perspective I will assess how the economic thought and ideas in each chapter can be developed for the construction of a new political economy in the future below.

### 3 Contributions

The book provides a birds'-eye view of the intellectual heritages of the JIPKs. The main contribution is three-fold in my assessment. First, it rediscovers the intellectual heritages of the JIPKs, and second, it projects their heritages to consider new

research agendas from an evolutionary and institutional perspective. Third, it is an attempt to reconstruct economics as a moral science with ethics and philosophy. The arguments are interesting particularly for those who are not satisfied with the current state of economics and are interested in the so-called heterodox economics.

The book describes what the JIPKs' economic thought, and their main economic theories are like. Rediscovery of these ideas urges readers to reflective attitude toward the current economics. The book is reminiscent of the older generation to retrospect what shaped their thoughts, whereas more useful for the younger generation to get new inspiration to advance their studies. I have also been inspired by the economists in this book as a researcher, and I was inspired by them again as a reader.

I do believe we can learn from these intellectual heritages for the following reasons. The JIPKs' ideas are original, and are still effective to renovate the political economy, particularly in such an uncertain epoch due to a series of global crises. Most of them considered that the world is far from complete and perfect as one the standard Walrasian paradigm supposes, of which the manner is strictly based on methodological individualism, optimisation, and equilibrium approach. By contrast, we need an alternative economic theory without unrealistic assumptions to observe the world as it stands. Importantly, the JIPKs' theories do not depend on the rational economic actors in most parts but naturally focus on the actors as social presence with limited ability in a complex world. Accordingly, the JIPKs consider that economic actors build institutions intentionally or unintentionally, and whose behaviours and the associated macroeconomic outcome are institutionally or structurally dependent. Of course, we cannot find these ideas in contemporary micro- or macroeconomics textbooks. It is quite a pity and mysterious that although they are somehow influential until the 1980s, almost all of these ideas are forgotten in modern economics particularly under the marriage of Lucas' critique and rational expectation hypothesis since then.

In projecting these heritages to the analyses of contemporary issues and to develop their ideas in a 21st-century style, the author provides two keywords of "institutions and evolution" and "multi-layered coordination with heterogeneous social preferences." The author gives them in light of Tsuru's definitions. Put them simply again, they are "A. the emphasis on the *open-system* character of production and consumption, B. an interest in the *evolutionary* course and the dynamic process of *technological change* and *circular cumulative causation*; C. social management, or *planning*; D. a *normative* science, positively, formulating social goals and objectives." After revisiting the JIPKs contributions, the author suggests renovating these definitions as "political economy of institutions and evolution" and "multi-layered régulation" in the last chapter. Precisely, the author compares (A) the open-system character with "institutional micro–macro loop", and (B) evolutionary course and circular cumulative causation with "multi-layered régulation in time and space." Additionally, he emphasises the useful concepts of "institutions in Régulation theory" to consider (C) social management or planning. For (D) he highlights "social references in civil society" for normative aspects and he introduces the contributions by varieties of capitalism as empirical contributions. Moreover, the author proposes that these concepts must be embedded in a theory that can understand the price system and quantity dynamics, wages and income distribution based on institutional

coordination, the interaction of financial and real factors, and especially, the stock-flow relations in the process of economic growth. The book also encourages developing a framework to analyse international production and trade with price determination and quantity adjustment in the interdependence of growth regimes in contemporary capitalism. We can find in these messages that the author's problematique inherits not only Tsuru's definitions of institutional economics but also the empirical question that "how has capitalism changed?" in the shape of "How has capitalism been evolving with diversity?" The JIPKs did not consider the capitalist economic system unique or immutable but recognise it as diverse and evolving.

Thus, the book discovers the resonance of the problematique and analytical perspectives of JIPKs and Régulation theory, by which the author tries to reconstruct economics as a moral science. The market mechanisms (invisible hands) alone cannot create a stable economy and society, and accordingly government intervention and specifically the construction of institutions by and for citizens (visible and spontaneous hands) is necessary to tame them. This message inspired by JIPKs' ideas is also linked to Bowles' concept of liberal society and Boyer's civil society. For instance, Bowles characterises liberal civic as citizens who embody the ideas of fairness and common sense, and the associated liberal society is one characterized by extensive reliance on markets to allocate economic goods and services, formal equality of political rights, the rule of law, public tolerance, and few barriers to occupational and geographical mobility based on race, religion, or other accidents of birth. This fundamentally echoes what Itoh calls the ideal society pursued by Keynes, namely a society with economic efficiency, social justice, and personal freedom that is tolerant of others. Hence, the final contribution of the book advancing the economics of evolution and institutions is to get economics back as a moral science.

#### 4 Some critiques and questions

Introducing the contributions of the JIPKs, the book provides a new research avenue for those scholars who are not satisfied with the Walrasian paradigm and engage in the political economy of institutions and evolution. However, it does not mean the book is free from drawbacks.

First, the reader might not be satisfied by the book because it does not introduce how the JIPKs analysed the contemporary issues with specific models or what they were in detail. A more detailed explanation from a theoretical perspective is crucial particularly for Uzawa and Ishikawa, as they are originally theoretical economists. In my assessment, theoretical economists should be evaluated with their original models as well as philosophy. The topics are wide, but generally, the arguments are not in-depth in this sense. Although it may be too demanding for such a compact book to show the details of JIPKs' economics, I have to say readers need to go into the original papers and books of the JIPKs after visiting these authors' messages. In other words, this book is not complete in itself, but requires further reading to unpack what the details of their economics are. Of course, the author has not stopped at presenting retrospectives and perspectives on the JIPKs. It must be also

emphasised that his colleagues and he have progressively worked on the development of political economy, most of which can be found in the references of Chapter 7. For instance, his contributions on theoretical works, empirical works, and economic thought can be found in Uemura et al. (2007), Boyer et al. (2012, 2018), and in Yamada et al. (2015), respectively. His biography (Uemura 2022) is also useful to review the author's own research within the history of political economy at the Faculty of Economics of Yokohama National University where he studied and worked, and its intellectual tradition.

Second, the author characterises JIPKs as institutional economists based on Tsuru's definitions. However, I hesitate to immediately say yes, they are, as I have a vague impression of what is an institution in each JIPK in this book. The book shows indeed their economic analyses highlighted an institutional aspect of contemporary capitalism, and they appreciated institutional economists in the world and were inspired by them. Certainly, the JIPKs can be pioneers of contemporary institutional economics because their economics had an institutional economic way of thinking and focused on the problems and ideas that Bowles and Boyer examined and developed later. Indeed, it is well known that Uzawa wrote a lot about the roles of institution and the old institutionalism late in his life. At the same time, however, I think if the JIPKs are institutional economists, they ought to have carefully considered what the institution is and its essence. My reading of this book could not find that they examined what the institution is specifically and independently. Of course, Marx and Keynes inspire us on the institutional aspects of the capitalist economy, but I do not think learning from Marx and Keynes is not a necessary or sufficient condition to be an institutionalist. Indeed, the JIPKs focused on not only institutions, but also structure, organisation, policy, society, and social common capital. However, the author characterises these salient aspects of the capitalist economy, which the JIPKs considered, almost all as institutions. Consequently, the author might have enclosed the JIPKs all as institutionalists partly because they mentioned some of these aspects. Institutional economics explores these aspects, and I also guess that they support the capitalist economy and are driving forces of its diversity and evolution. This is an important insight that the Walrasian paradigm does not have. Simultaneously, I also think that each of them is different unit, working originally with partial overlaps in a capitalist economy. For instance, the dual labour market is a structure rather than an institution. Large/small corporations and multinational companies are not institutions either, but they are organisations. Regarding social common capital, Uzawa distinguished natural environment, social infrastructure, and institutional capital. Moreover, his approach to social common capital provision is principally based on socially optimality criterion, which is somewhat awkward for post-Keynesian. I wonder institutionalist really takes such an approach under complex, uncertain, and irreversible world. Hence, the institution is not everything. Overall, the book should have been more precise on the problematique and topics when it comes to "institution(al)". We need a careful distinction between these terminologies and definitions particularly for the critical aspect of the contemporary economy. The author's attempt to characterise JIPKs in a broad sense is too broad. Nevertheless, I do not think the author is responsible



for this. Rather, this is evidence that the author implicitly considers that JIPKs' project to revitalise Keynesian and Marxian economics as institutional economics was unaccomplished. I guess he wanted to mean that the progressive synthesis of Keynes, Marx, and institutionalism had to await Régulation theory that successfully considers the roles of institutions and its impact on micro-behaviours, macroeconomic consequences, and these loop-feedback mechanisms.

Diverse ideas co-star in this book under the name of creative rivalry. J.M. Keynes, K. Marx, N. Kaldor, M. Kalecki, and J. Robinson are the intellectual sources of the JIPKs, and the ideological links between them are revisited in this book. The conclusion of the book advocates advancing their ideas from a perspective of the economics of institutions and evolution, suggesting the importance of pluralism in economics. I understood that more diversity and inclusion beyond the Walrasian paradigm are necessary for economics as capitalism is evolving with variety. I agree with the author's directions, but here arises a question. It seems that although the book advocates the integration of several approaches, the argument is still parallel and not synthesised or integrated. Chapter 7 provides some ways to go and explains the importance of integration, but it seems a parallel collection of relevant ideas and research questions. I acknowledge that the book aims "revisiting" theories as the title is and appreciate the spirit of heterodox synthesise or integration. Having said that, the revisit remains a collection of ideas without blooming as theory, which I am afraid of another drawback of this book. This book presents only directions, leaving concrete theory-building behind. For example, how can we integrate the links between micro and macroeconomics? More specifically, it is fascinating to integrate Bowles's social preferences and Boyer's growth regime. Unfortunately, however, the book provides only perspective without a detailed solution, and it is not as theoretically simple as the author hopes. The aim has been achieved halfway by revisit, but the rest to develop their ideas is a remaining issue. In this sense, this is a book not to address some problems but to set research questions. Note that this is a critique to argue that these questions stimulate new studies and are worth challenging, particularly for the next generation. For example, the author has just published a new research outcome on the economics of institutions and evolution with his long-run research collaborators (Uemura and Isogai 2022). Besides, my colleague and I agree with his suggestion and build a post-Keynesian growth model that incorporates the roles of social common capital to establish a resilient economy (Nishi and Okuma 2023a, b). As the author emphasises repeatedly, the JIPKs' ideas inspire the research questions and ideas in the political economy of institutions and evolution. Thus, the book has prepared ingredients a lot, and how to cook depends on the readers.

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## Declarations

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