

## **Economic development in East Asia**

Name of instructor Professor Rogier B.P.M. Busser

Time for the course July 18 – August 1 (14.00-18.00)

### Course description

This course offers an introduction to the debate on economic development in East Asia. Is the organization of the East Asian economies similar to the types of organization applied in Europe and the US? How does the distinction between the private sector and the government work in Asian economies? Does industrial organization in East Asia differ from the way industries are organized in Europe? To find answers to these questions we analyze East Asian economic development models, financial policies, industrialization processes, employment systems, labor issues, environmental governance, and regional economic integration. We make use of macro-economic analysis and apply political economy theories. The focus is on China, Japan and South-Korea but the increasing integration between the East Asian economies and the ASEAN economies is also discussed as the regionalization of the Asian economy is becoming more intense. We use Chinese, Japanese, Korean, Thai, American and continental European perspectives to understand the dynamics of economic development in East Asia.

### Learning objectives

Upon completion of the course, students will be expected to successfully:

- Understand and critically discuss major issues, debates and theories on economic development models used in East Asia.
- Identify the most important components of financial policies, industrialization policies, employment systems, labor issues, environmental governance, and regional economic interaction in East Asia.
- Be able to describe the historical economic development of the East Asian economies.
- Have shown proficiency in reproducing theories of economic development in East Asia.

### Course type

Seminar course. Each four hours session consists of a lecture class, student presentations, discussions and panels.

### **Sessions (eight sessions of four hours each)**

*Session 1 (a-two hours)*

Topic: Course introduction: Incomes and welfare of East Asians today.

Readings:

Naughton: Introduction (1-14) and Chapter 9 Living standards: incomes, inequality and poverty (209-227).

Flath: Introduction (1-9) and Chapter 1 Incomes and Welfare of the Japanese Today (10-20).

### *Session 1 (b-two hours)*

Topic: Industrialization in East Asia. From pre-modern industrialization towards industrial revolutions in Japan, China and Korea: industrial policies.

Naughton: Chapter 2 The Chinese economy before 1949 (33-53).

Flath: Chapter 2 Economic history: The Tokugawa period and the Meiji period(21-42) and Chapter 3 The Twentieth century (43-70).

Chung: Chapter 2 Economic Development and structural changes (7-12)

Core questions:

When did the industrial revolutions take place in Japan, Korea and China? And why in this sequence?

Explain the driving factors behind these revolutions in Japan and China?

### *Session 2*

Topic: Economic Development Models in East Asia

Some models to understand economic development in East Asia: The Developmental State model, Network consensus model, Pluralist model and State-led model.

C. Johnson: The Developmental State: Odyssey of a Concept in M. Woo-Cumings, The Developmental State (1999).

S. Hayashi: The developmental state in the era of globalization: beyond the Northeast Asian model of political economy in The Pacific Review, Volume 23, Issue 1, 2010.

Core question: Explain the Developmental State model as presented by Johnson?

### *Session 3*

Topic: Industrial Organization. Cooperation and competition within industries, the role of supporting industries, Keiretsu and Chaebol, the relationship between firms and markets in East Asia.

Naughton: Chapter 3 The socialist Era 1949-1978: Big push industrialization (55-83).

Flath: Chapter 12 Industrial organization (271-294).

Eun Mee Kim and Gil-Sung Park, *The Chaebol in The Park Chung Hee Era* edited by Byung-Kook Kim and Ezra F. Vogel (Harvard University Press, 2013).

Core questions:

Understand the key concept of Keiretsu and Chaebol in the framework of industrial organization

Explain the differences in industrial organization between the case of Chinese economic policies in the socialist era (1949-1978) and the Developmental state in Japan and South-Korea (1955-1990).

*Session 4 (two hours)*

Topic: Financial Systems in China, Korea and Japan

The role of financial intermediaries, banks, insurance companies and financing of SME's.

Naughton: Chapter 19 Financial system (449-483).

Flath: Chapter 14 Finance (333-351).

Chung: Chapter 5 Domestic Financing of Business and Public Investments (115-174)

Core question:

What role do different financial intermediaries play in the financial systems in Japan, China?

*Midterm essay (two hours)*

*Session 5*

Topic: Macroeconomic policies

Booms and busts, fiscal and monetary policies.

Naughton: Chapter 4 Market Transition: Strategy and Process (85-110).

Flath: Chapter 6 Macroeconomics (110-148).

Core questions:

Which actors are engaged in fiscal and monetary policies in China and Japan?

What are the major objectives of the policymakers?

*Session 6 (a-two hours)*

Topic: Labor

Employment systems, human capital formation in East Asia.

Naughton: Chapter 8 Labor and human capital (179-206).

Flath: Chapter 15 Labor (351-376).

Core questions:

How did labor markets develop in China and Japan?

Which human capital formation policies can we distinguish in China and Japan?

*Session 6 (b-two hours)*

Topic: Industrial Policy

Naughton: Chapter 13: Industry: Ownership, Governance and Industrial Policy (297-326)

Flath: Chapter 9 Industrial Policy (200-229)

Core questions:

Who are the major actors in the formulation and execution of Industrial policies?

Does ownership matter?

*Session 7 (a-two hours)*

Topic: Saving and capital accumulation

Explanations for high savings ratio's in East Asian societies, capital accumulation and investment capital.

Naughton: Chapter 18 Macroeconomic trends and cycles (427-445).

Flath: Chapter 5 Saving (98-109)

Chung: Chapter 7 Domestic saving and income distribution (213-263)

Optional reading: C.Y. Horioka and A. Terada-Hagiwara, The determinants and Long-term projections of saving rates in developing Asia, NBER Working Paper Series, November 2011.

Core questions:

What are the drivers behind the high savings ratio's in China and Japan?

How did government policies influence the savings patterns?

*Session 7 (b-two hours)*

Topic: Integration and Regionalization I

Facilitating governmental policies: monetary integration, trade integration, construction and infrastructure.

Masahisa Fujita · Nobuaki Hamaguchi, Japan and economic integration in East Asia: post-disaster scenario, in *The Annals of Regional Science*, 2012, Vol.48(2), pp.485-500.

Siow Yue Chia: The Emerging Regional Economic Integration Architecture in East Asia in *Asian Economic Papers*, January 2013 (1-43).

Core questions:

In what ways are the Chinese, Japanese, Korean and ASEAN economies integrating?

How is the pattern of trade integration shaped?

What is the role of FDI in the economic integration process?

*Session 8 (two hours)*

Topic: Integration and Regionalization II

Firm level: Value chains, regional production networks and FDI.

P. Das (2013) The Role of China in Asia's Evolution to Global Economic Prominence in *Asia & the Pacific Policy Studies*, vol. 1, no. 1, 216–229.

H. Kim, Location Choices of Korean MNEs in East Asia: Escaping the Nutcracker and T. Gokan, Location Choices of Japanese MNEs in East Asia in M. Fujita (2008) *Economic Integration in East Asia*.

Core questions:

What is the role of MNC's in regional economic integration process in East Asia?

Do MNC's contribute to industrial upgrading in East Asia?

Are there distinctive investment patterns among Japanese, Korean and Chinese investors?

Final Exam (two hours)

### Assessment

Class preparation and classroom participation 20%  
Attendance, participation, homework and in class discussions.

Oral presentation(s) 15 %  
Students will do presentations (15 minutes per person or two students together 25 minutes) on topics related to the content of this course. During week 1 we will discuss the topics and assign the timeslots for the presentations.

Midterm exam 25%  
After the midterm essay, we will discuss the essays.

Final test (essay questions, open-book exam) 40%