

The Varieties of Capitalism in East Asia: Politics of Economic Reforms

Winter Quarter, 2008

Instructor: Dr. Myung-koo Kang

Class time & place: Tues & Thurs, 3:15~5:05/ Bld. 116-318

Office: Encina Hall C332

Office Hours: Tues & Thurs, 2:00~3:00 or by appointment

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COURSE DESCRIPTION

This course examines the interaction between states and markets in modern Japan, South Korea, and China, paying special attention to the similarities and differences in each government's attempt to reform its economy in response to globalization. We will explore the similar institutional arrangements that spurred rapid economic growth in East Asia. Similarly, we will explore how each country developed substantially different models of economic development and reforms due to their unique institutional settings, and cultural and sociopolitical contexts. Then, we will ask, how have the governments of these three countries responded to globalization in different and similar ways? How have global and regional politics determined the pace and sequence of these nations' economic reforms? Students will explore these questions by reviewing recent economic reforms or attempted reforms in each country.

COURSE REQUIREMENTS

No pre-requisites, but some background in economics or the history of each country recommended.

Two critical review essays	30%
Web site postings	15%
Attendance & Class participation	15%
One comparative research paper	40%

Books for purchase:

Kharas, H. & Indermit Gill (2007). An East Asian Renaissance: Ideas for Economic Growth.

World Bank (Or Available at

http://siteresources.worldbank.org/INTEASTASIAPACIFIC/Resources/226262-1158536715202/EA_Renaissance_full.pdf)

Barma, N. & Steven Vogel (ed.) (2007) A Political Economy Reader: Markets as Institutions

Routledge

Vogel, S. K. (2006). Japan Remodeled: How Government and Industry are Reforming Japanese Capitalism, Cornell University Press

Chung, D. K. and B. J. Eichengreen (2004). The Korean Economy Beyond the Crisis, Edward Elgar Publishing

Naughton, B. (2007). The Chinese Economy: Transitions and Growth, MIT Press

*Gilpin, R. and J. M. Gilpin (2003). Global political economy: understanding the international economic order, Orient Longman.

I. MARKETS & STATE: COMPETING VIEWS

- ** Required readings
- * Recommended readings
- # Further reference

Week One: What Has Happened in East Asia during the past Five Decades?

- a. Introduction: Why East Asia? (1/8)
 - **Kharas, H. & Indermit Gill (2007). An East Asian Renaissance: Ideas for Economic Growth. World Bank, overview, pp.1-80.
- b. Economic Miracle: Perspiration vs. Inspiration (1/10)
 - **Kharas, H. & Indermit Gill (2007). An East Asian Renaissance: Ideas for Economic Growth, chapter 2 & 3 & 4. (pp. 81~229)
 - **Krugman, P. (1994). "The Myth of Asia's Miracle." Foreign Affairs 73(6): 62-78.
 - *Fukasaku, K., M. Kawai, M.G. Plummer and Trzeciak-Duval (2005). "Miracle, Crisis and Beyond." in Policy Coherence Towards East Asia: Development Challenges for OECD Countries. K. Fukasaku, OECD: 17-85.
 - *World Bank. (1993). The East Asian Miracle: Economic Growth and Public Policy. New York, N.Y., Oxford University Press. 1-59; 437-68

Week Two: Rival Views on Markets and Capitalism (I)

- # Articles are available at [Barma & Vogel] (2007)
- a. The Classic View (Smith, Marx & List) (1/15)
 - **Smith, Adam (1976). The Wealth of Nations: Vol 1: 7-20, 474-79, Vol. 2: 207 - 209.
 - **Marx, Karl and Friedrich Engels (1977). "The Communist Manifesto," in David McLellan, ed., Karl Marx: Selected Writings: 221-47.
 - **List, Friedrich (1916), The National System of Political Economy: 108-40.
 - * Gilpin, R. and J. M. Gilpin (2003). Global political economy: understanding the international economic order, Orient Longman: chs 3 & 4 (pp. 46~102)
 - b. Liberal Paradigm / Alternative Views (1/17)
 - **Hayek, Friedrich (1944). The Road to Serfdom: 32-42 & 72-87.
 - **Friedman, Milton (1962), Capitalism and Freedom: 22-36.
 - **Polanyi, Karl (2001). The Great Transformation: 35-80.
 - **Fligstein, Neil (2001), The Architecture of Markets: 27-44.
 - **North, Douglass (1981). Structure and Change in Economic History: 33-44.
 - **Williamson, Oliver (1985), The Economic Institutions of Capitalism: 15-23, 41-42.
 - *Gilpin, R. and J. M. Gilpin (2003). Global political economy: understanding the international economic order, Orient Longman: chs. 5 & 6 (pp.103~147)

Week Three: Rival Views on Markets and Capitalism (II)

Articles are available at [Barma & Vogel] (2007)

- a. Historical Perspectives/ Political Science and Political Economy (1/22)
 - ** Rostow, W.W. (1960), The Stages of Economic Growth: 1-16.
 - ** Gerschenkron, A. (1962), Economic Backwardness in Historical Perspective: 5-30.
 - ** Landes, David (1998), The Wealth and Poverty of Nations: 514-524.
 - ** Lindblom, Charles (2001), The Market System: 52-60, 97-107, 253-64.
 - ** Johnson, Chalmers (1982), MITI and the Japanese Miracle: 3-34.
 - ** Hall, Peter & David Soskice (2001), Varieties of Capitalism: 1-36, 54-60.

- b. The East Asian “Developmental State” and Its Critics (1/24)
 - **Onis, Z. (1991). "The Logic of the Developmental State." Comparative Politics **24**(1): 109-126. [jstore]
 - **Wade, R. (1992). "East Asia's Economic Success: Conflicting Perspectives, Partial Insights, Shaky Evidence." World Politics **44**(2): 270-320. [jstore]
 - **Hamilton, G. G. and N. W. Biggart (1988). "Market, Culture, and Authority: A Comparative Analysis of Management and Organization in the Far East." The American Journal of Sociology **94**: 52-94. [jstore]
 - *Gilpin, R. and J. M. Gilpin (2003). Global political economy: understanding the international economic order, Orient Longman: ch. 7 (pp.148~195) & ch. 12 (pp.305~340).
 - *Kuznets, P. W. (1988). "An East Asian Model of Economic Development: Japan, Taiwan, and South Korea." Economic Development and Cultural Change **36**(3): 11-43. [jstore]
 - *Aoki, M., H.-K. Kim, et al. (1997). The Role of Government in East Asian Economic Development: Comparative Institutional Analysis. New York; Clarendon Press: 373-406.

1/29: class recess (preparation of the first critical review paper + paper topic)

II. CASE STUDIES: JAPAN

Week Four: Japan (I): Origins of the Japanese Model

- a. Pre-WWII System (1/31)
 - **Streeck, W., K. Yamamura, et al. (2002). The Origins of Nonliberal Capitalism: Germany and Japan in Comparison, Cornell University Press: 1-38.
 - **Noguchi, Y. (1998). "The 1940 System: Japan under the Wartime Economy." The American Economic Review **88**(2): 404-407.
 - **Kerde, Ortrud (1999), "The Ideological Background of the Japanese War Economy: Visions of the 'reformist bureaucrats', in Erich Pauer ed., Japan's War Economy, pp. 23-38 [available at SUL ebrary]
 - *Johnson, C. A. (1982). MITI and the Japanese Miracle: The Growth of Industrial Policy, 1925-1975. Stanford, Calif., Stanford University Press

First critical review paper + research paper topic due

- c. Post-WWII System: Continuity vs. Discontinuity (2/5)
- **Vogel, S. K. (2006). Japan Remodeled: How Government and Industry are Reforming Japanese Capitalism, Cornell University Press: 1-19.
 - **Aoki, M. (March 1990), "Toward an Economic Model of Japanese Firm," Journal of Economic Literature, 28 (1): 1-27. [jstore]
 - **Kojima, Kiyoshi (2000), "The "Flying Geese" Model of Asian Economic Development: Origin, Theoretical Extensions, and Regional Policy Implications," Journal of Asian Economics 11 (4): 375-401 [online source]
 - #Murakami, Y., H. T. Patrick, et al. (1987). The Political Economy of Japan. Stanford, Calif., Stanford University Press.
 - #Tabb, William K. (1995), The Postwar Japanese System: Cultural Economy and Economic Transformation, New York; Oxford University Press: 35-111. [available at SUL ebrary].

Week Five: Japan (II): Japan Remodeled? Or End of the Japanese Model?

- a. The Lost Decade Debate (2/7)
- **Vogel, S. K. (2006). Japan Remodeled: How Government and Industry are Reforming Japanese Capitalism: 22-114.
 - **Vogel, S.K. (2007), "Why Free Markets Need More Rules" [Barma & Vogel, pp.341-354]
 - *Katz, Richard, Japanese Phoenix (2002): 3-22.
 - *Grimes, William, Unmaking the Japanese Miracle (2001): xv-xix, 1-29, 218-29.
 - *Posen, Adam (1998). Restoring Japan's Economic Growth: 143-57.
 - #Pempel, T.J. "Regime Shift: Japanese Politics in a Changing World Economy," Journal of Japanese Studies (Summer 1997): 333-61.
- b. Recent Reforms: Japan rebounding? (2/12)
- **Vogel, S. K. (2006). Japan Remodeled: How Government and Industry are Reforming Japanese Capitalism: 115-224.
 - *Murphy, R. T. and A. Mikuni (2002). Japan's Policy Trap: Dollars, Deflation, and the Crisis of Japanese Finance, Brookings Institution Press [sul ebrary collections]
- # **Mid-term evaluation on the course and individual performance**

III. CASE STUDIES: SOUTH KOREA

Week Six: South Korea (I): Economic Growth and Government Intervention

- a. Origin of the developmental dictatorship (2/14)
- **Amsden, A. H. (1989). Asia's Next Giant: South Korea and Late Industrialization. New York; Oxford University Press: 3-23 & 139-155.
 - **Chang, Ha-joon (2004). The Political Economy of Industrial Policy. St. Martin's Press: 91-129.
 - **Young, Soogil (2005). "Korea's Experience as an Asian Developing Economy and as a Newly Industrialized Asian Economy." in Policy Coherence Towards East Asia: Development Challenges for OECD Countries. K. Fukasaku, OECD

- *Song, Byung-Nak (2003). The Rise of the Korean Economy. Oxford University Press
- **Lee, Byeong-cheon (2005). Developmental Dictatorship and the Park Chung-Hee Era: The Shaping of Modernity in the Republic of Korea. Homa & Sekey Books
- #Park, C. H. (1962). The Country, the Revolution, and I. Seoul, Hollym Corp.

b. *Chaebol* and the State (2/19)

- **Hattori, T. (1989). "Japanese Zaibatsu and Korean Chaebol" in Kae H, Chung & Hak Chong Lee (ed.). Korean Managerial Dynamics. New York, Praeger: 79-95.
- **Cho, Y. J., Joon Kyung Kim (1997). Credit Policies and the Industrialization of Korea. Seoul, Korea Development Institute: 30-56.
- *Kang, Myong-hon (1996). The Korean Business Conglomerate: Chaebol Then and Now. U.C. Berkeley, Inst. of East Asian Studies

Week Seven: South Korea (II): Crisis and Reforms

a. Origins of the Crisis and Policy Responses (2/21)

- **Chung, D. K. and B. J. Eichengreen (2004). The Korean Economy Beyond the Crisis, Edward Elgar Publishing: 1-71 & 89-136.
- *Chang, Ha-Joon. (1998). "Korea: The Misunderstood Crisis." World Development 26(8): 1555-1561.
- *Demetriades, Panticos O., and Bassam A. Fattouh (October 1999). "The South Korean financial crisis: competing explanations and policy lessons for financial liberalization." International Affairs 75 (4):779-92,
- *Haggard, Stephan, and Jongryn Mo. 2000. The political economy of the Korean financial crisis. Review of International Political Economy 7 (2):197-218,
- #Hahm, Joon-Ho, and Frederic S. Mishkin (2000). "Causes of the Korean Financial Crisis: Lessons for Policy." NBER Working Paper: National Bureau of Economic Research

b. Post-crisis Reforms (2/26)

- **Chung, D. K. and B. J. Eichengreen (2004). The Korean Economy Beyond the Crisis, Edward Elgar Publishing: 137-247.
- *Chang, Ha-Joon (2003). Restructuring 'Korea Inc.': Financial Crisis, Corporate Reform, and Institutional Transition. Routledge. Studies in the Growth Economies of Asia, 42.
- *Chopra, A., Kenneth Kang, et. al (2002). From Crisis to Recovery in Korea: Strategy, Achievements, and Lessons. Korean Crisis and Recovery. D. T. Coe, and Kim, Se-jik. Washington, IMF and Korea Institute for International Economic Policy

2nd Critical Review Paper Due

IV. CASE STUDIES: CHINA

Week Eight: China (I) :The Rise of Chinese Economy

a. Why no industrial revolution in China? (2/28)

- **Lin, J. Y. (1995). "The Needham Puzzle: Why the Industrial Revolution Did Not Originate in China." Economic Development and Cultural Change **43**(2): 269-292.
- **Naughton, B. (2007). The Chinese Economy: Transitions and Growth, MIT Press. ch. 2: 33-52.
- *Bianco, L. (1971). Origins of the Chinese Revolution, 1915-1949, Oxford University Press: 1-27

b. Growing out of the Plan; Gradualism (3/4)

- **Naughton, B. (2007). The Chinese Economy: Transitions and Growth, chs 2 & 3. 16 & 17: 55-112 & 377-424.
- **Guthrie, D. (2006). China and Globalization: The Social, Economic and Political Transformation of Chinese Society: 11-16, 18, 38-72 [Barma & Vogel, pp.399-423]
- #Oi, J. C. (1999). Rural China Takes Off: Institutional Foundations of Economic Reform, University of California Press.

Week Nine: China (II): Perils ahead? Or Sustainable Growth?

a. Uneven Development (3/6)

- ** Naughton, B. (2007). The Chinese Economy: Transitions and Growth: 231-374.
- **Zheng, Y. and Y. Zhang (2006). "Globalization and Social Conflict in China." Issues & Studies **42**(2): 85-129.
- *Cai, Y. (2006). State and Laid-off Workers in Reform China: The Silence and Collective Action of the Retrenched, Routledge.
- #England, R. S. (2005). Aging China: The Demographic Challenge to China's Economic Prospects, Praeger/Greenwood.

b. Financial Risks and Trade Conflict (3/11)

- ** Naughton, B. (2007). The Chinese Economy: Transitions and Growth: 427-484.
- **Rodrik, D. (2006). "The Social Cost of Foreign Exchange Reserves." International Economic Journal **20**(3): 253-266. [jstore]
- **Ma, G. and R. N. McCauley (2003). "Opening China's Capital Account amid Ample Dollar Liquidity." China's Capital account Liberalisation: International perspectives, BIS Papers **15**: 25-34. [online source]
- **He, L. and X. Fan (2004). "Foreign Banks in Post-WTO China: An Intermediate Assessment." China & World Economy **12**(5): 3-16 [online source].
- **Hughes, N. C. (2005). "A Trade War with China?" Foreign Affairs **84**(4).
- *Ahearne, A. G. and C. Federal Reserve Bank of (2003). "China and Emerging Asia: Comrades Or Competitors?"
- #Zweig, D. and B. Jianhai (2005). "China's Global Hunt for Energy." Foreign Affairs **84**(5): 25-38.

Final Class (3/13): Student Presentation of Research Paper

WRITTEN ASSIGNMENTS

WEBSITE POSTINGS & READING MEMOS (each class): 15%

You are expected to write short reading memos (200 words maximum) on the readings for each class and post it to the course web site by 11 p.m. every Mondays and Wednesdays. The memos may take a variety of forms: 1) Critique one or more of the readings, 2) Relate the readings to a recent news story or news commentary, 3) Write your own question on the readings and answer it, 4) Propose a topic for discussion that relates to the readings, 5) Answer one of the discussion questions raised by the instructor or other students. You are encouraged to experiment with this assignment.

Keep the deadline (11:00 p.m.) because we will discuss based on your postings in class. Late or skipped postings will not be counted in the final grade.

TWO CRITICAL REVIEW ESSAYS (15% Each)

Write a 1500-2000 word (about 5-7 pages) critical review essay. Do not summarize the main arguments, but try as much as possible to criticize and synthesize the assigned readings with a coherent theme and argument. The first review paper is about the theoretical discussions on markets and the role of the state you have learned during the second to the third week [see the class schedule]. The second review essay should discuss how politics has molded different economic policies in Japan, Korea, or China. You should include at least one of three textbooks we use in the class: Vogel (2006), Chung & Eichengreen (2004), Naughton (2007), in addition to other supplementary readings.

First review paper is due by Jan. 31 (Tues.)

Second review paper is due by Feb 26 (Tues.)

All written work must be completed and submitted in class on the day they are due. Late assignments will be penalized one third of a grade for each day past the original due date. If an A paper is turned in two days late, the grade will drop to a B+. If you have any illness or personal emergency due to which that you find it difficult to meet a deadline, please speak with me in advance. I will accommodate all legitimate and reasonable requests for extension for such cases.

RESEARCH PAPER AND PRESENTATION (40%)

Write at least 15 page (double-spaced) research paper that compares at least two countries focusing on specific economic reforms in a specific sector in each country. Base your paper primarily on course readings plus additional reference materials. Focus on the political dynamics in addition to economic nature of the issue, not on advocating a particular policy stance. What kinds of policy were adopted to deal with certain economic reforms? Which interest groups, government agencies, and political parties are involved in setting policy in this area? What are their respective positions on the issue? How do they interact? Try to articulate the commonalities and differences in policy formation and implementation of each country. Link your argument to theories and analytical perspectives introduced in the course.

Submission of paper topic by Jan. 31 (Thursday)

* Submit which countries or sector or policy you are going to compare, and if possible, with one key research question (theoretical or empirical) and one core argument.

- * Then, each of you is expected to talk with the instructor about your research topic.
- * After consulting with the instructor, you can change your research topic.

Paper presentation in class: Maximum 10 minute presentation and 5 minute Q & A session

- * Last class: March 13 (Thursday)

Paper Due by midnight of March 20 (e-mail submission): strict deadline (no extension or postponement is allowed due to the deadline of grade submission)

Academic Dishonesty and Plagiarism

Plagiarism or any other form of academic dishonesty will not be tolerated in this class. Please visit <http://www.stanford.edu/dept/vpsa/judicialaffairs/students/plagiarism.sources.htm> for further information on the plagiarism.