



The Political Economy of East Asia

(BPEP-SHU 9042)

Monday & Wednesday
3:45 pm – 5:00 pm
Room E201

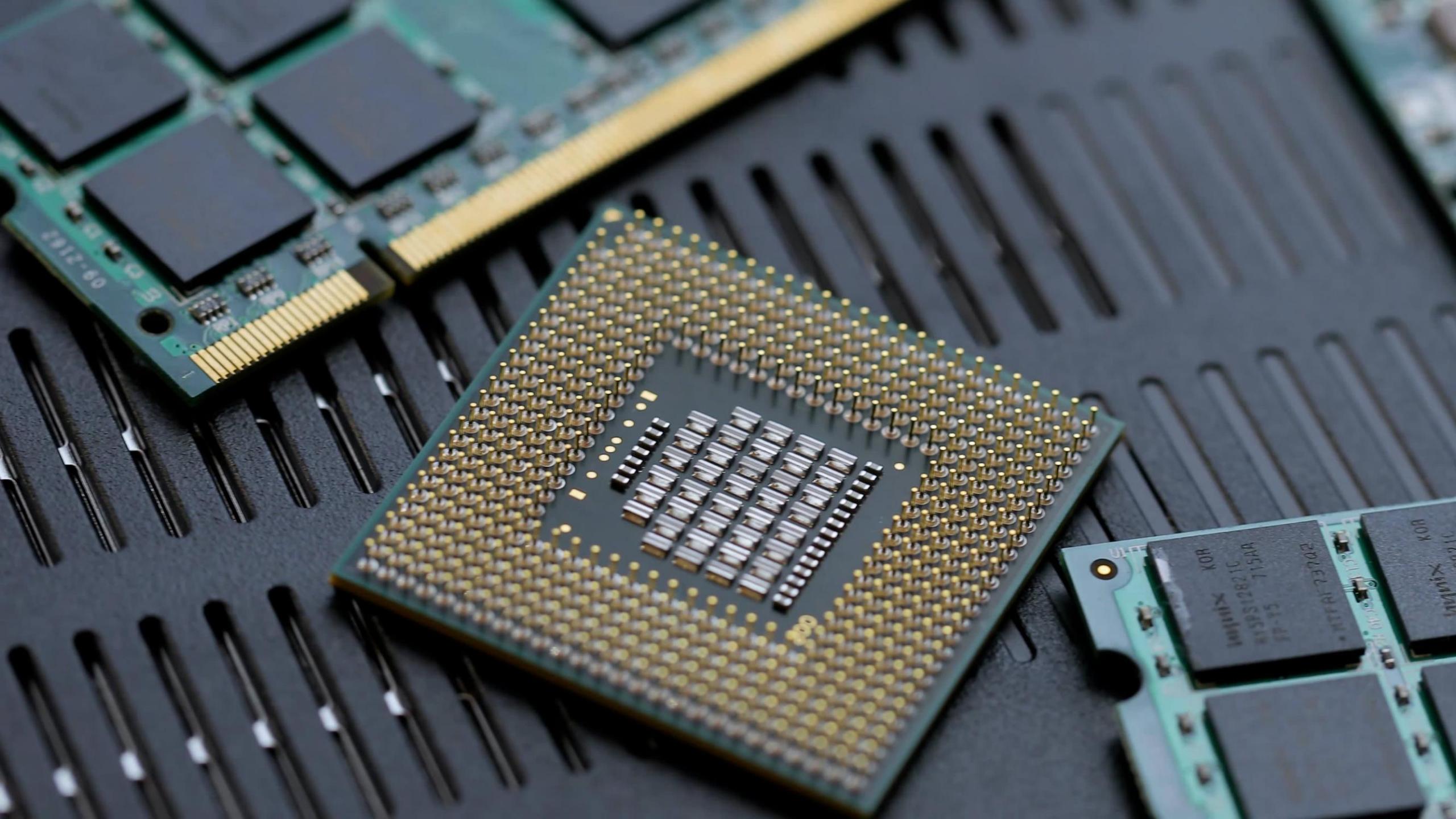
Instructor: JING QIAN

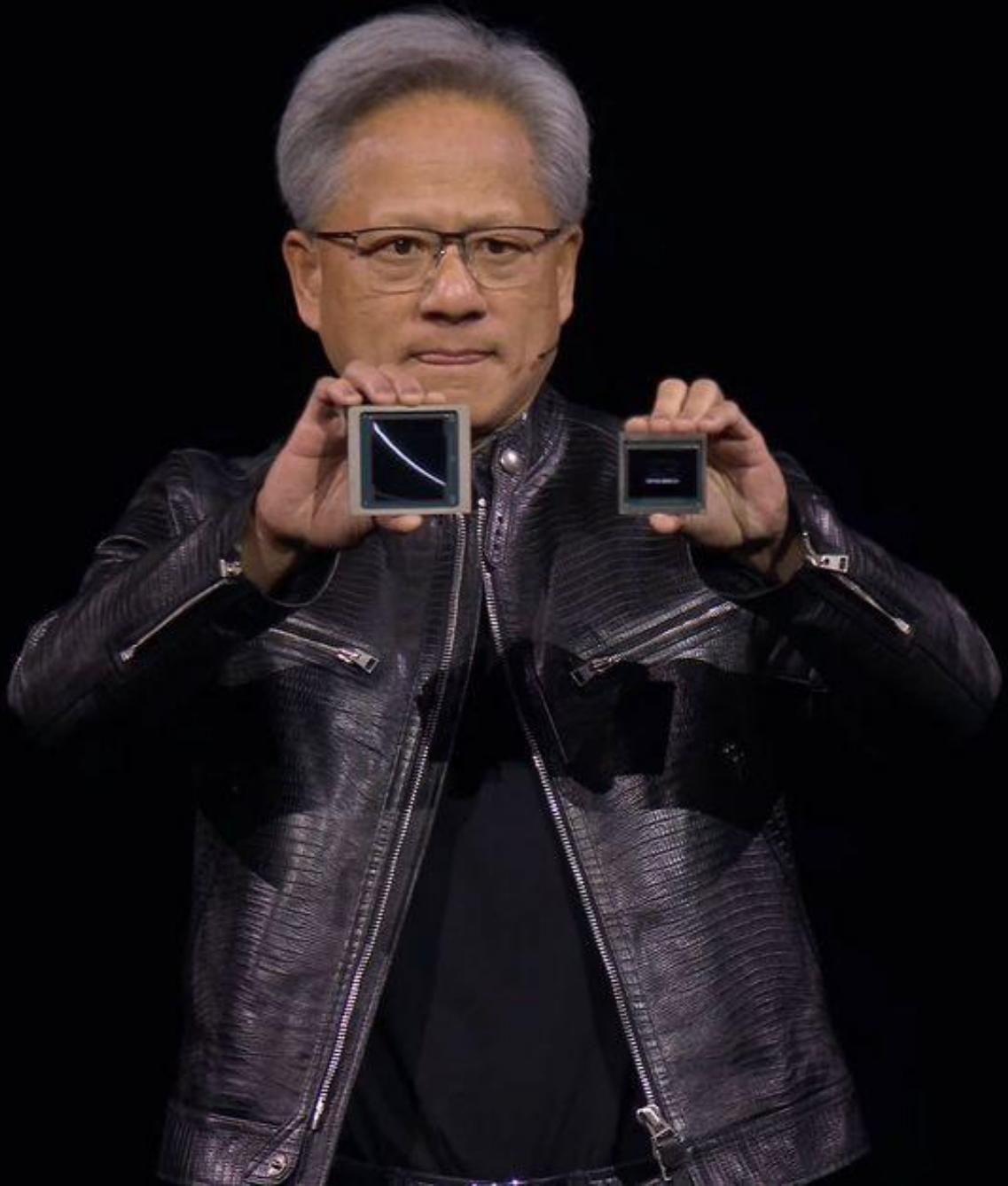
Logistics

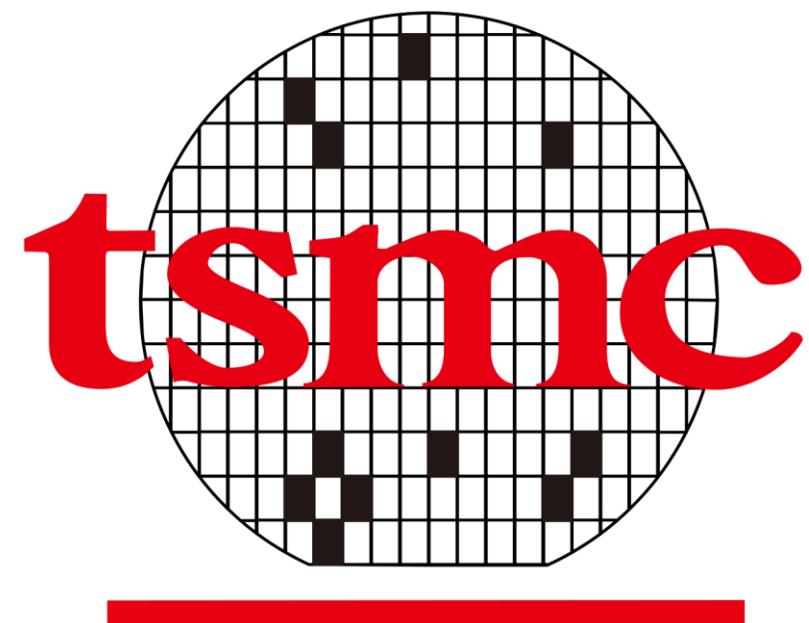
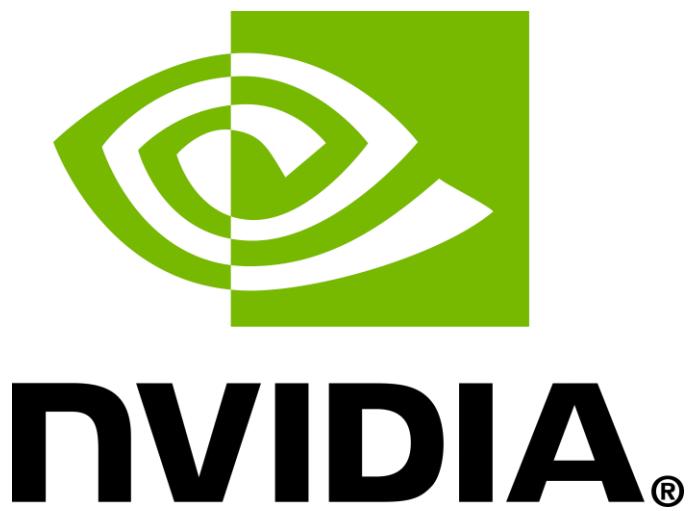
- New Development Bank fieldtrip sign-up form due 11:59PM on Sunday, Jan 25
- Requests for library workshop
- Updated quiz windows (available in online syllabus)
 - Quiz 1: 8am Sat. Feb 7 – 11:59pm Mon. Feb 9
 - Quiz 2: 8am Sat. Mar 7 – 11:59pm Mon Mar 9
 - Quiz 3: 8am Sat. Apr 4 – 11:59pm Mon Apr 6 (Spring break to follow)
 - Quiz 4: 8am Sat. May 2 – 11:59pm Mon May 4 (Presentations to follow)

Plan

1. Foundations of (comparative) political economy
2. How to do a presentation*



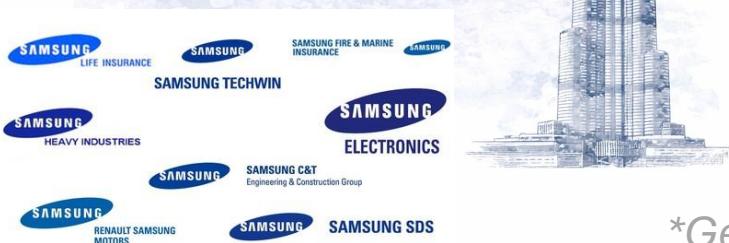




A Tale of Two Chips

The Conglomerate

- Makes Everything
- ~ 20% Korea's GDP



The Foundry



- Makes One Thing
- ~ 70% Market Share

*Generated by ChatGPT

From The Same Starting Point

Circa 1960, both are:

- Poor
- Agricultural
- Former Japanese colonies
- No natural resources



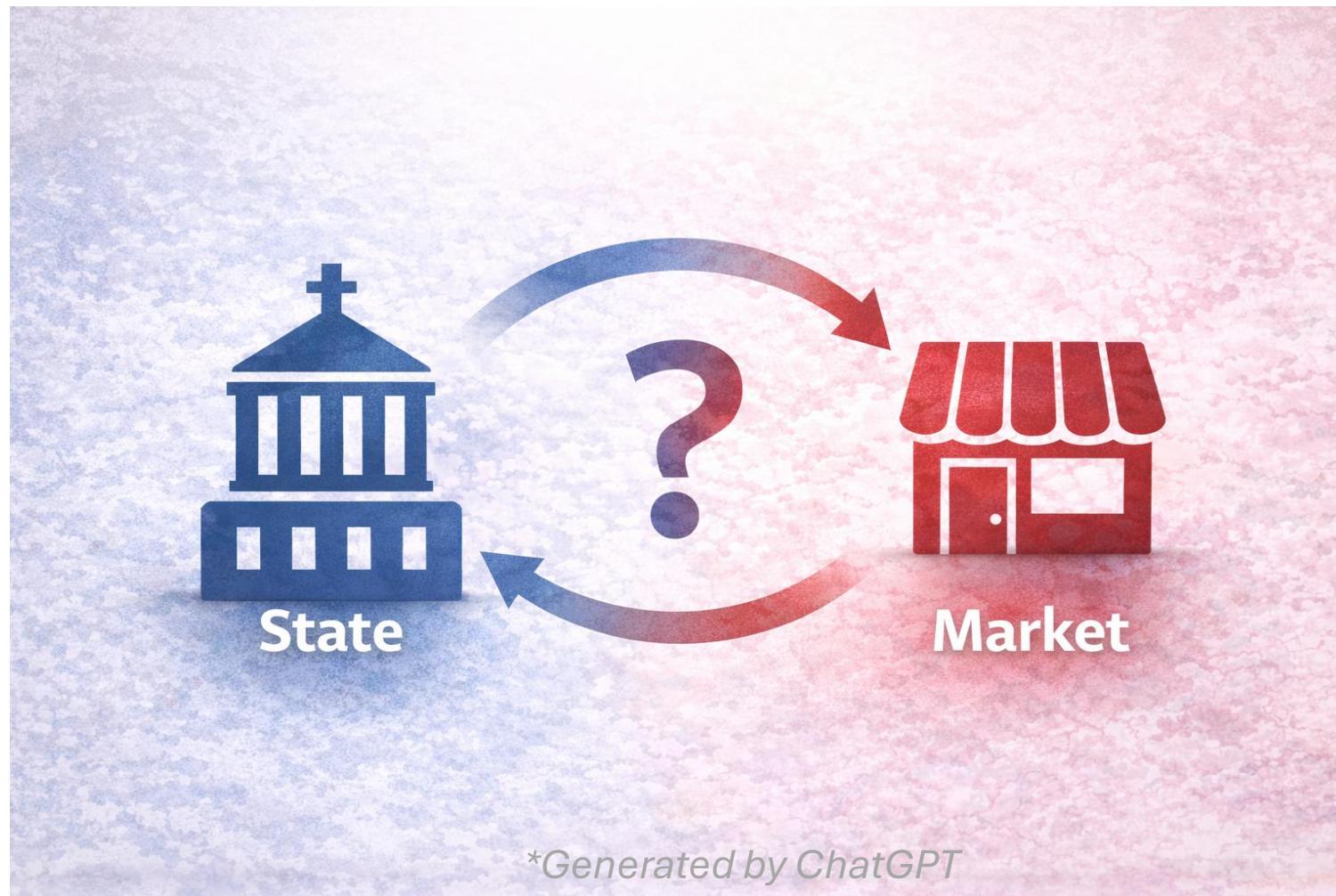
Taipei in 1960s



Seoul in 1960s

Why did they develop such different economic “personalities”?

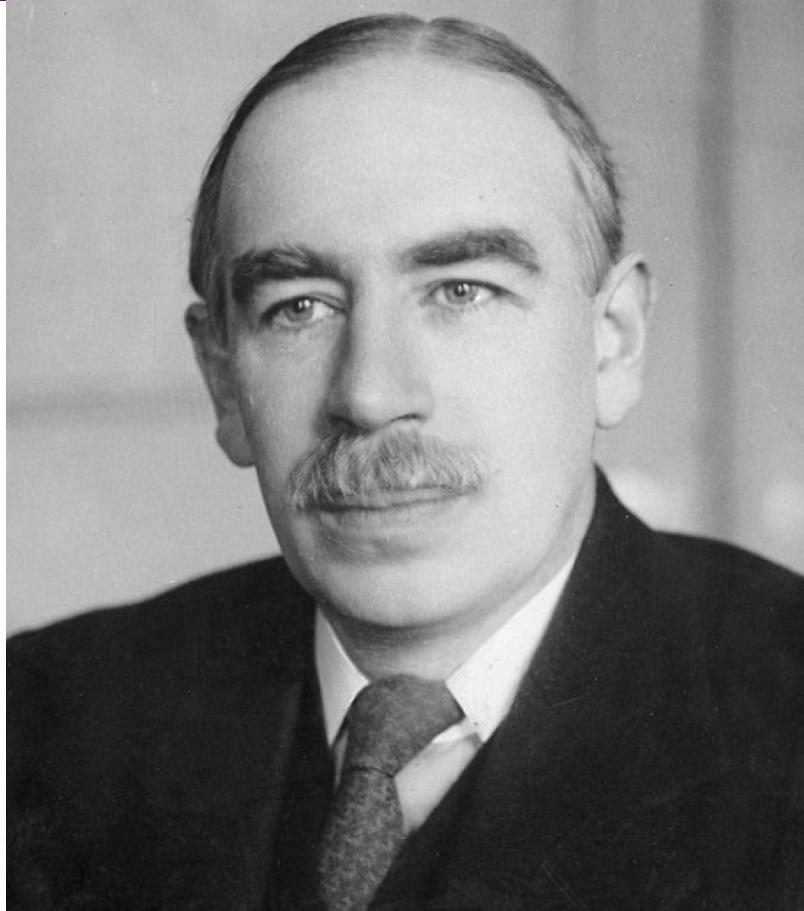
Political Economy: How Politics Shapes Markets



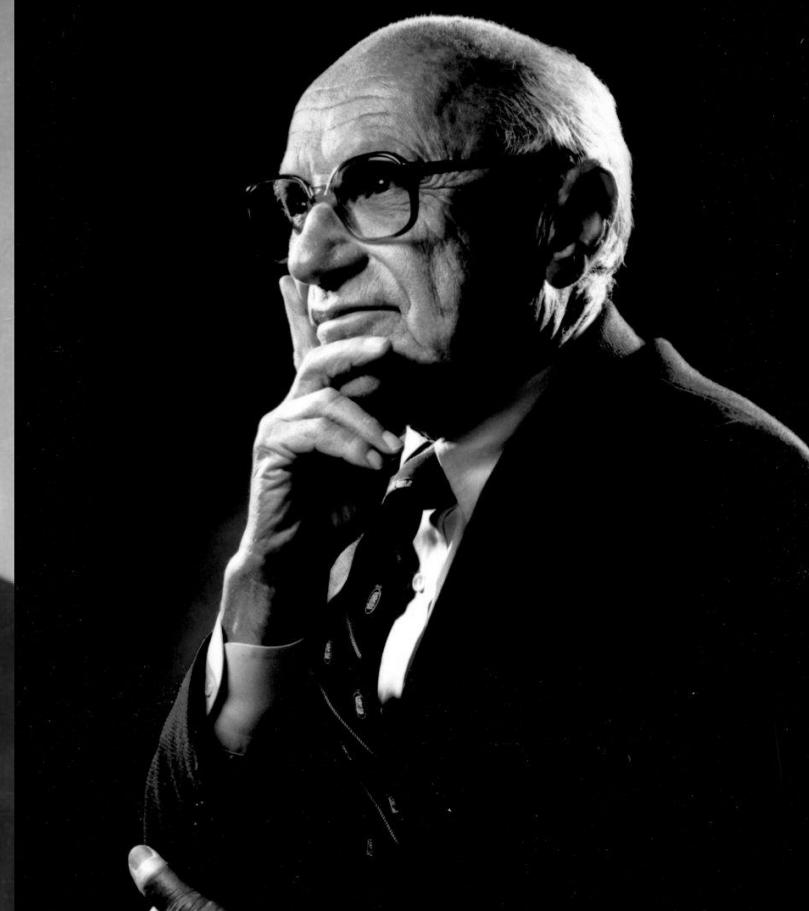
**Generated by ChatGPT*

Political Economy: How Politics Shapes Markets

John
Keynes



State Intervention



Free Market

Milton
Friedman

The State Sets the Rules of the Game

State decides:

- Who can invest
- Which industries (firms) get support
- What property rights look like
- How open the economy is
- ...

How does the state make these economic decisions?

Politics!

How Political Incentives Shape Economic Outcomes

- The Ultimate Political Incentive: **Stay in Power**
- Depends on **Political Institutions**
 - Democracy: winning votes
 - Dictatorship: satisfying elite constituents
 - Military, big business, foreign interests, etc.
- ...

Foundation I: Political Institution

The Conglomerate



South Korea

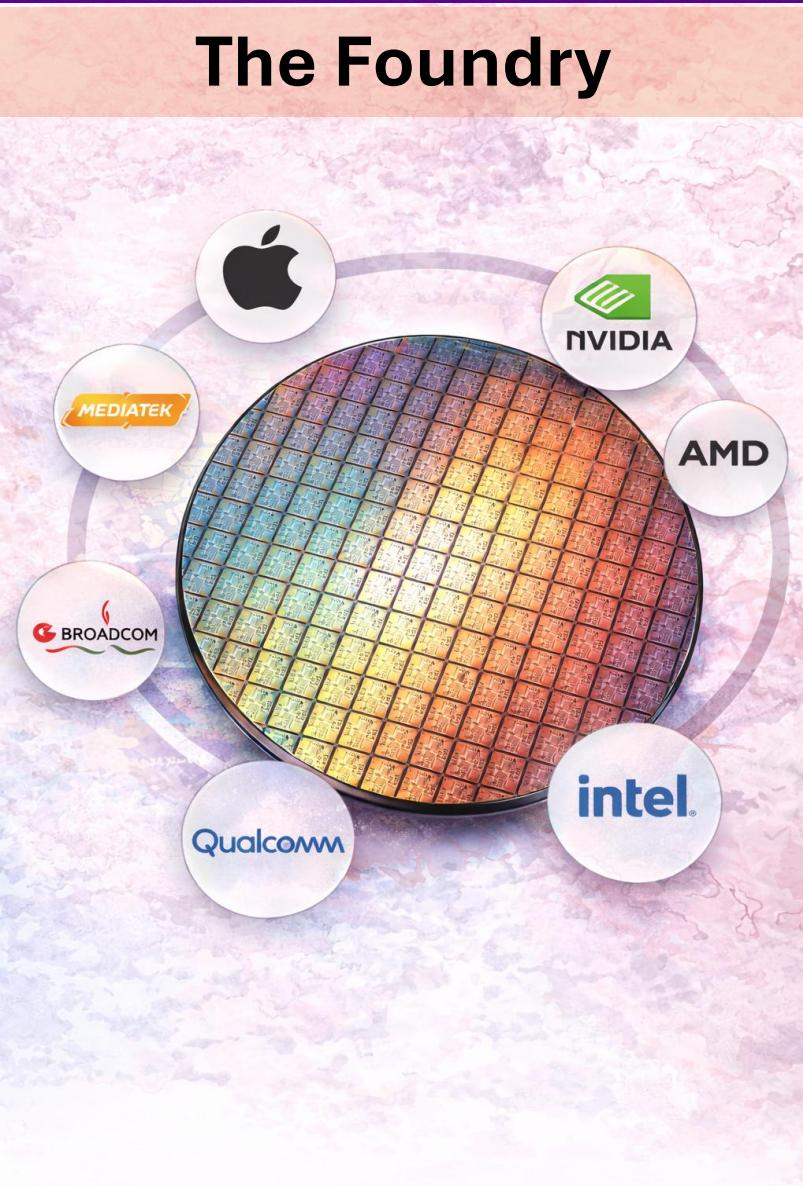
- Military regime (1963 – 1979)
- Needed massive industrial scale to compete with North Korea
- Create Chaebols by funneling national bank loans to a few loyal families



Park Chung-Hee

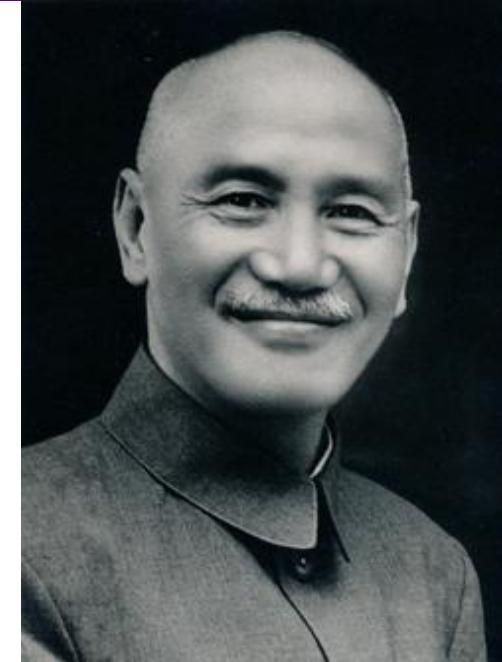
Foundation I: Political Institution

The Foundry



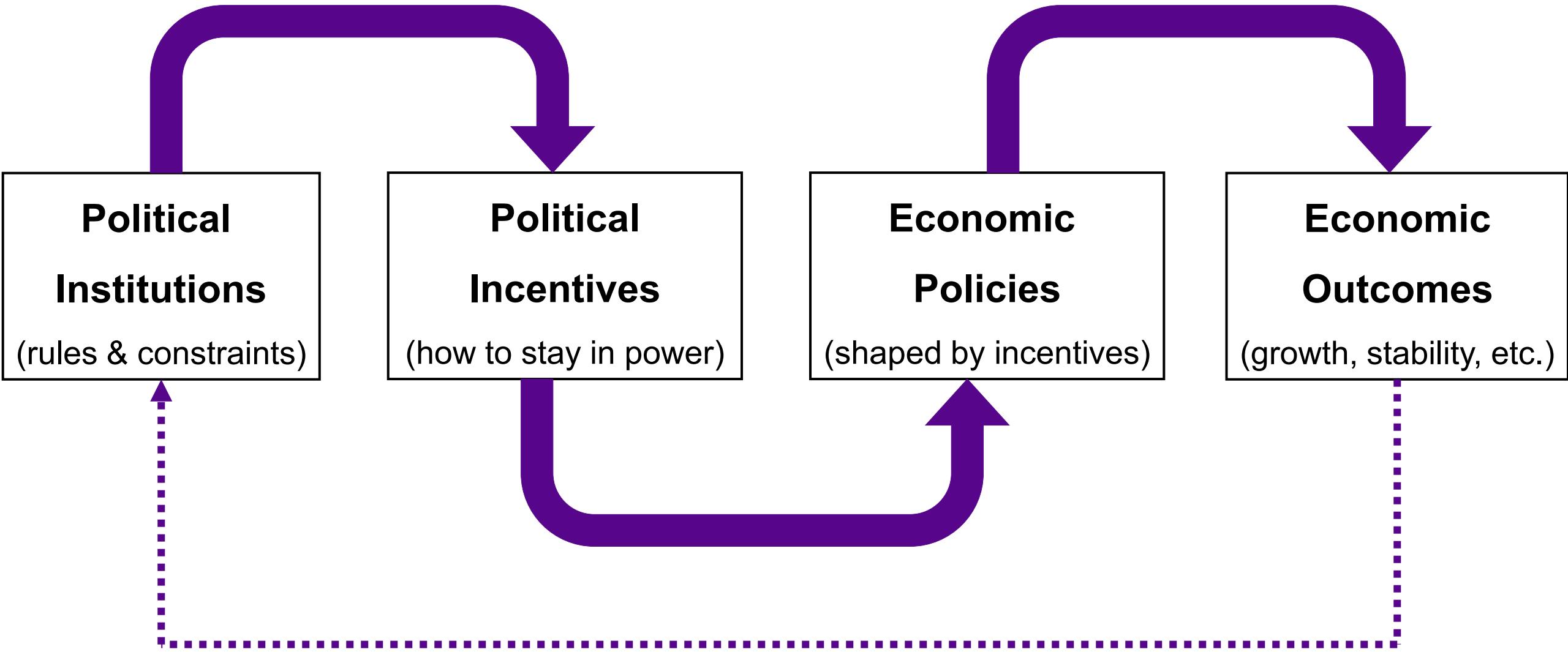
Taiwan

- The KMT (Mainlanders)
- Local Taiwanese
- Suppressed large private groups
- Focus on SMEs
- State-incubated tech to keep control
 - ITRI (Institute for Industrial Technology Research)

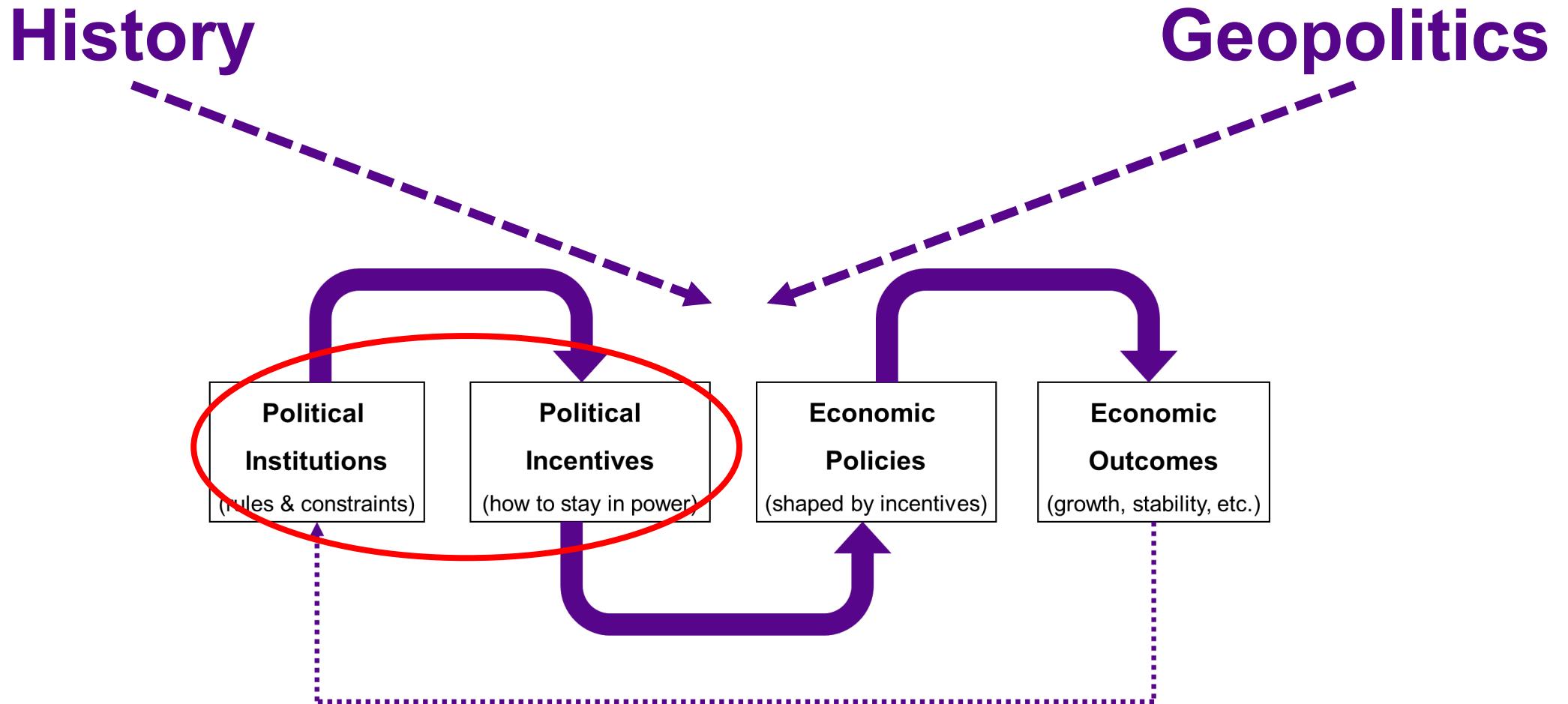


Chiang Kai-Shek

The Political Economy Process



The Political Economy Process



Foundation II: History

The Imperial Legacy of Japanese Colonialism

- Initially: Taiwan and Korea as agricultural appendages
- Early 1930s: War Preparation
 - Industrial development
 - Heavy industries
 - Economic infrastructure
- Initial industrial foundation for Samsung and TSMC

Foundation III: Geopolitics

Cold War & US Hegemony

- US (capitalism) vs. USSR (communism)
- The East Asian Deal
 - US Provides Security + Markets
 - East Asian aligned against communism
- Samsung and TSMC could access US technology and market

Methodology – Making Inferences

Comparative political economy

Two key designs:

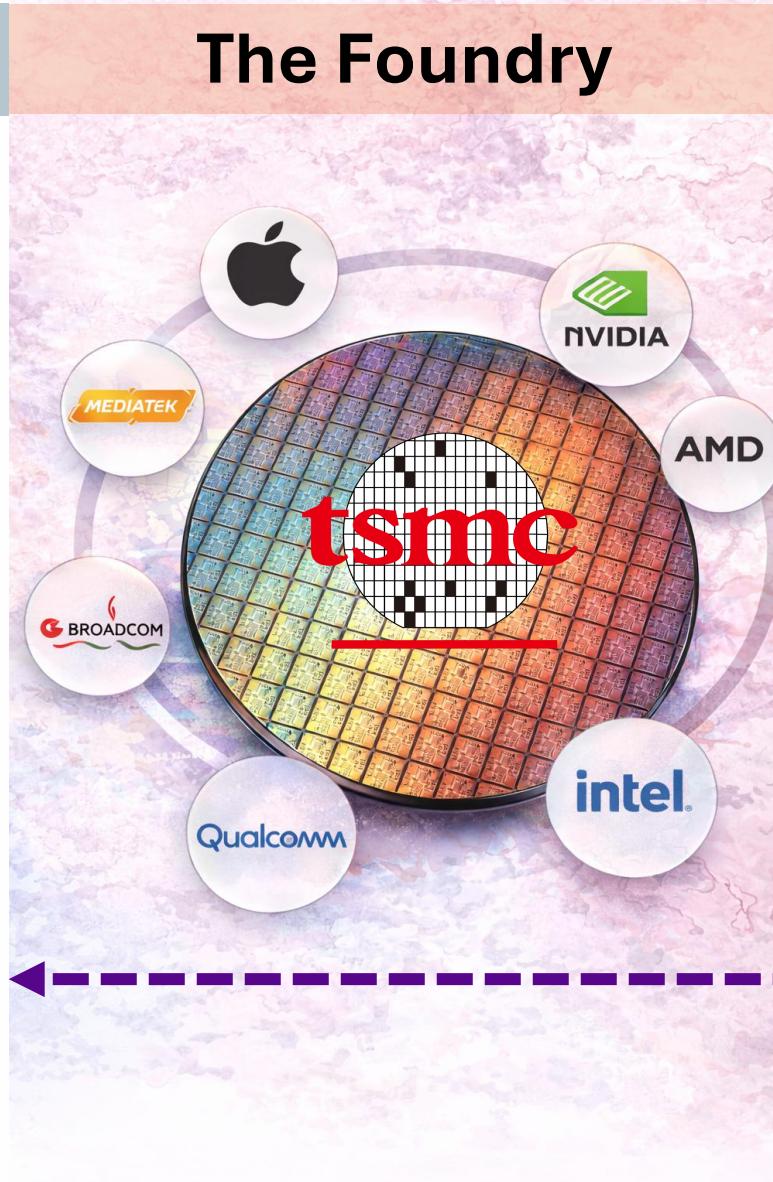
- Most Similar Systems Design (MSSD)
- Most Different Systems Design (MDSD)

Most Similar Systems Design

The Conglomerate



The Foundry



South Korea vs. Taiwan

Similar

- History
- Culture
- Geopolitics
- ...

Different

- Political system (state strategy)

Most Different Systems Design

Japan vs. China

Different

- History
- Ideology
- Political system
- Geopolitics
- Development stage
- ...

Similar

- ...



Common Choice

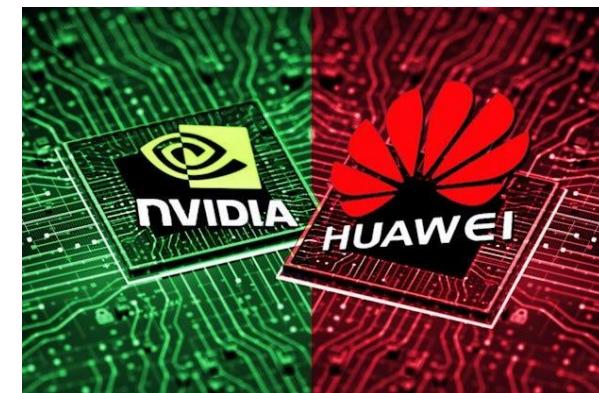
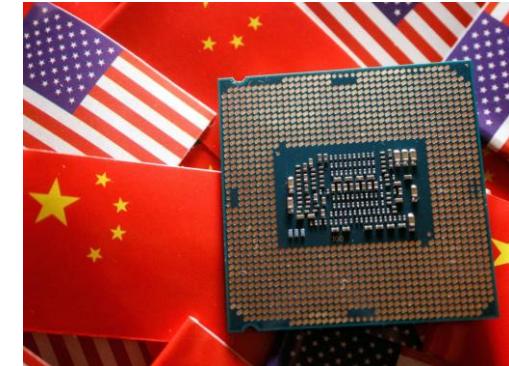
- State-led industrial policy
- Export-oriented growth

Back to the Future



Summary:

- 1. History** provided the base.
- 2. Political Institutions** decided the strategy.
- 3. Geopolitics** provided the opportunity.



Thank You!

