

# The Political Economy of East Asia

(BPEP-SHU 9042)

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

**Instructor: JING QIAN**

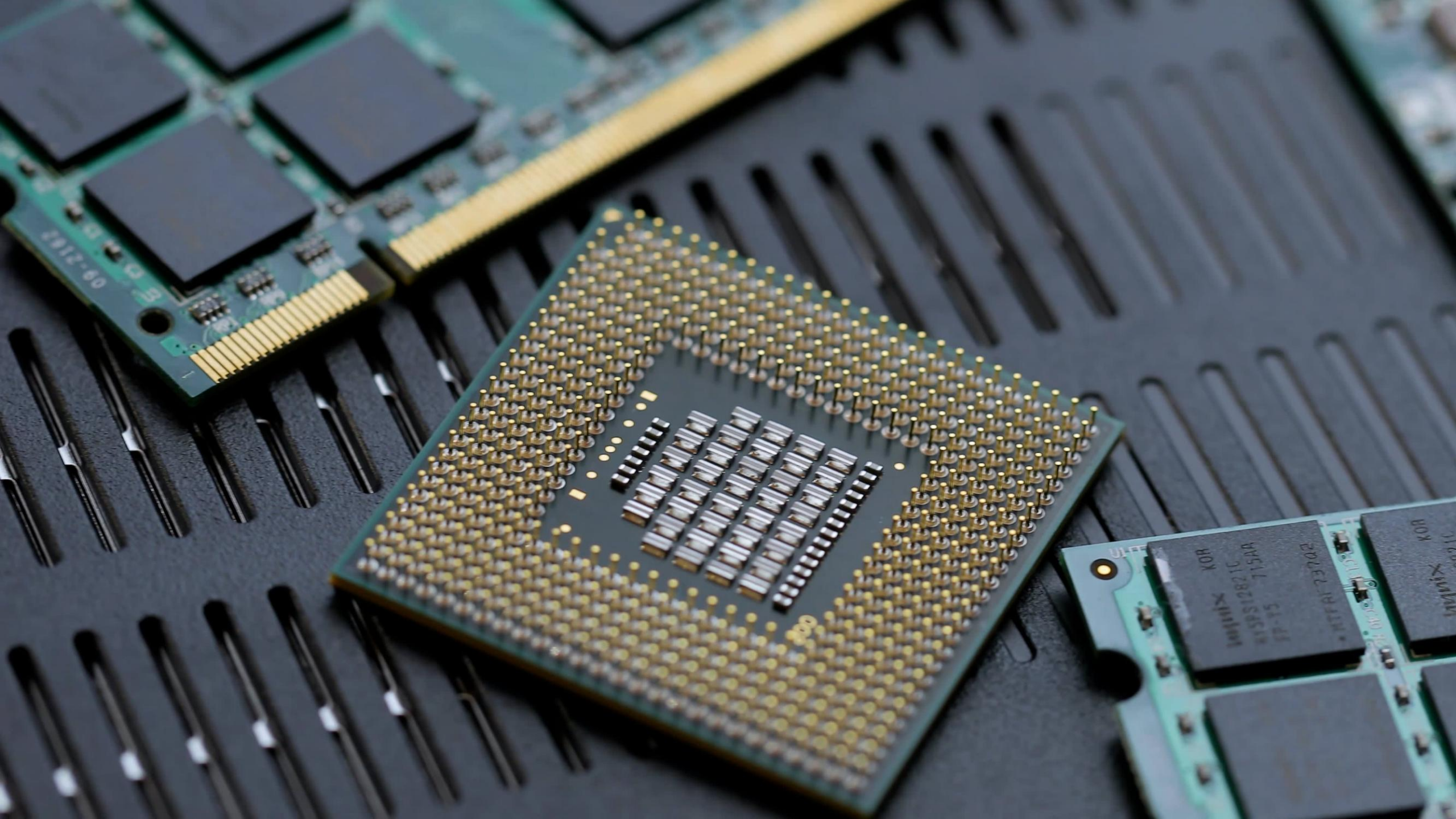


# Logistics

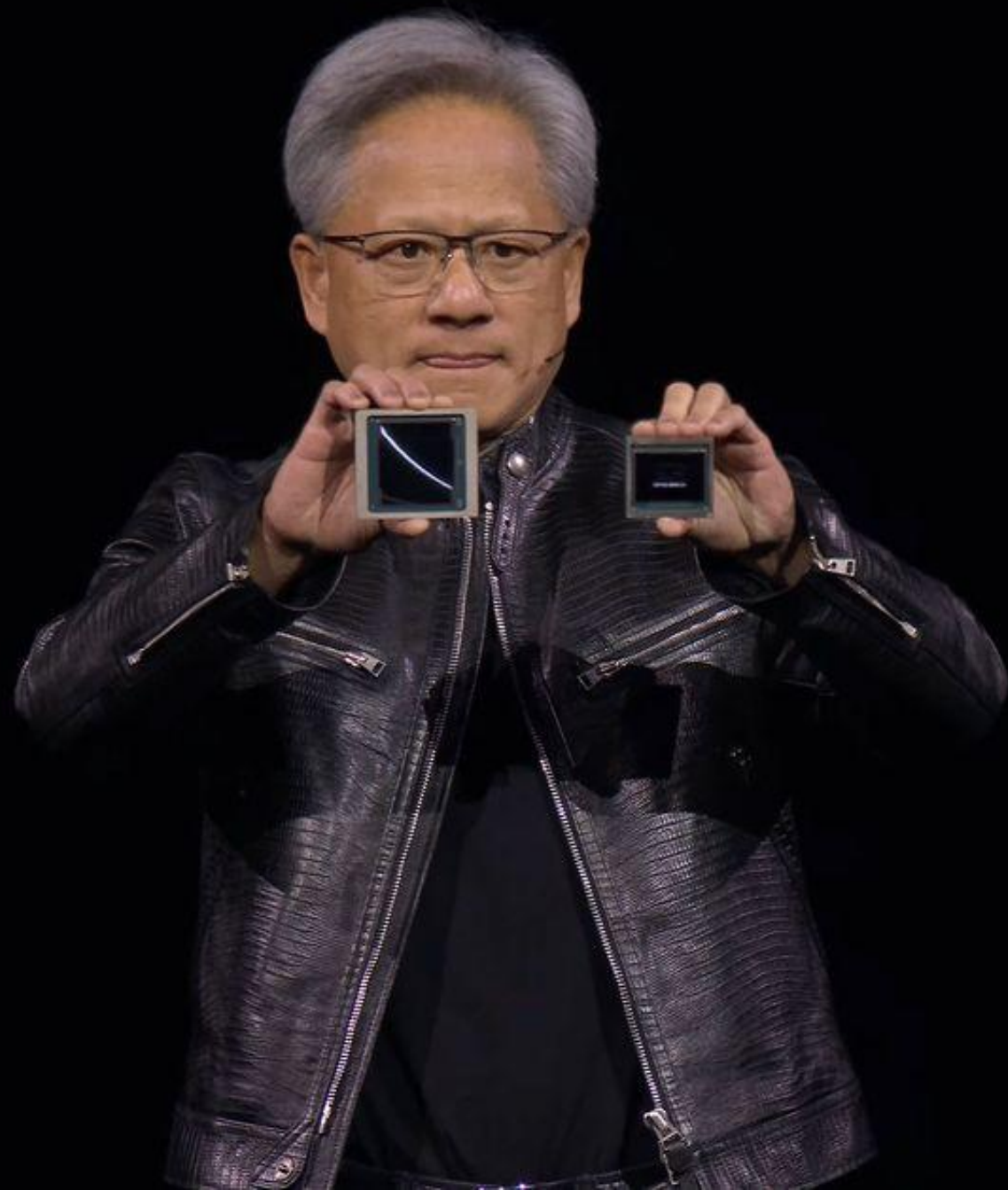
- New Development Bank fieldtrip sign-up form due 11:59PM on Sunday, Jan 25
- Requests for library workshop
- Updated quiz windows (available in online syllabus)
  - Quiz 1: 8am Sat. Feb 7 – 11:59pm Mon. Feb 9
  - Quiz 2: 8am Sat. Mar 7 – 11:59pm Mon Mar 9
  - Quiz 3: 8am Sat. Apr 4 – 11:59pm Mon Apr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

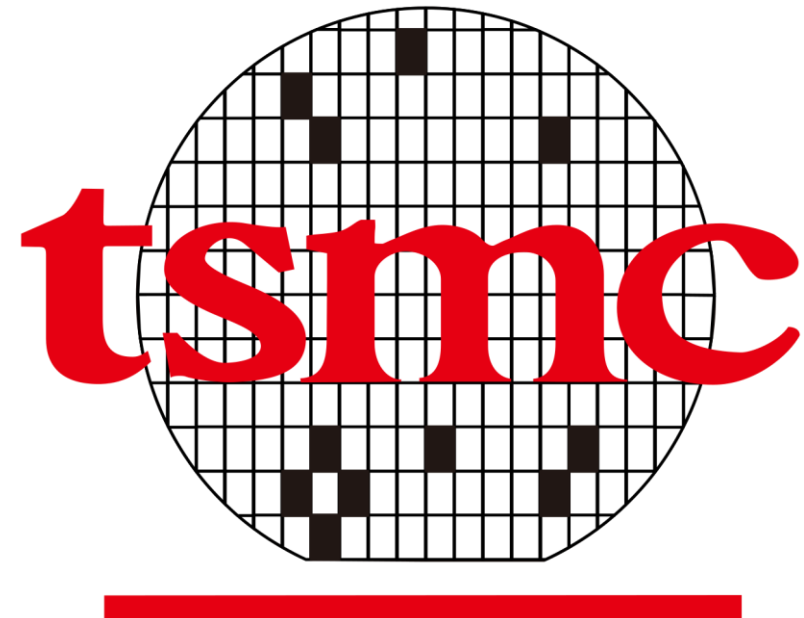
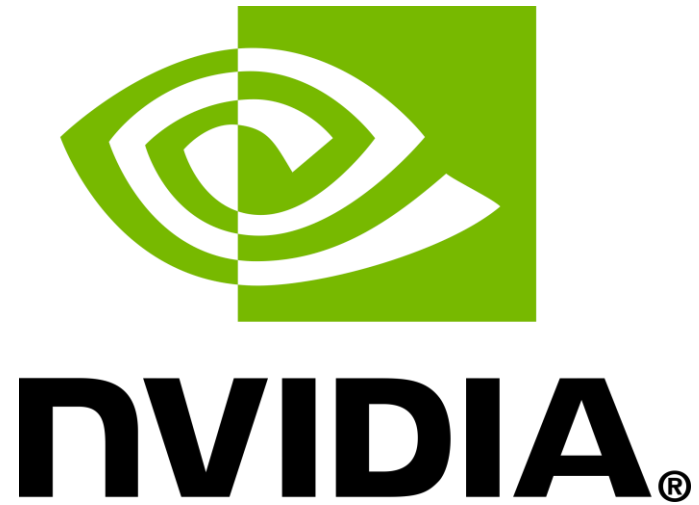
# Plan

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



# From The Same Starting Point

**Circa 1960, both are:**

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

**Why did they develop such different  
economic “personalities”?**



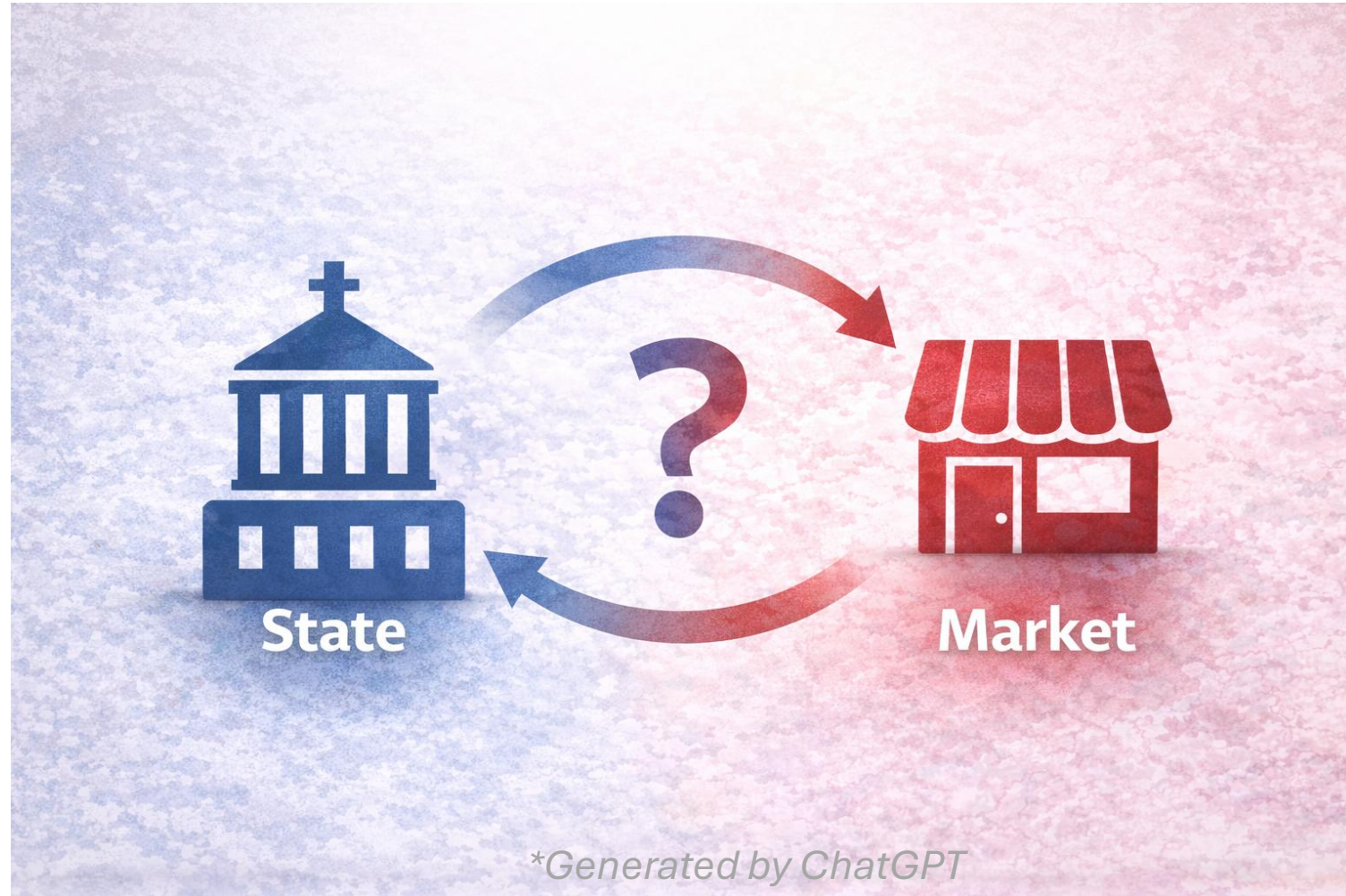
**Taipei in 1960s**



**Seoul in 1960s**

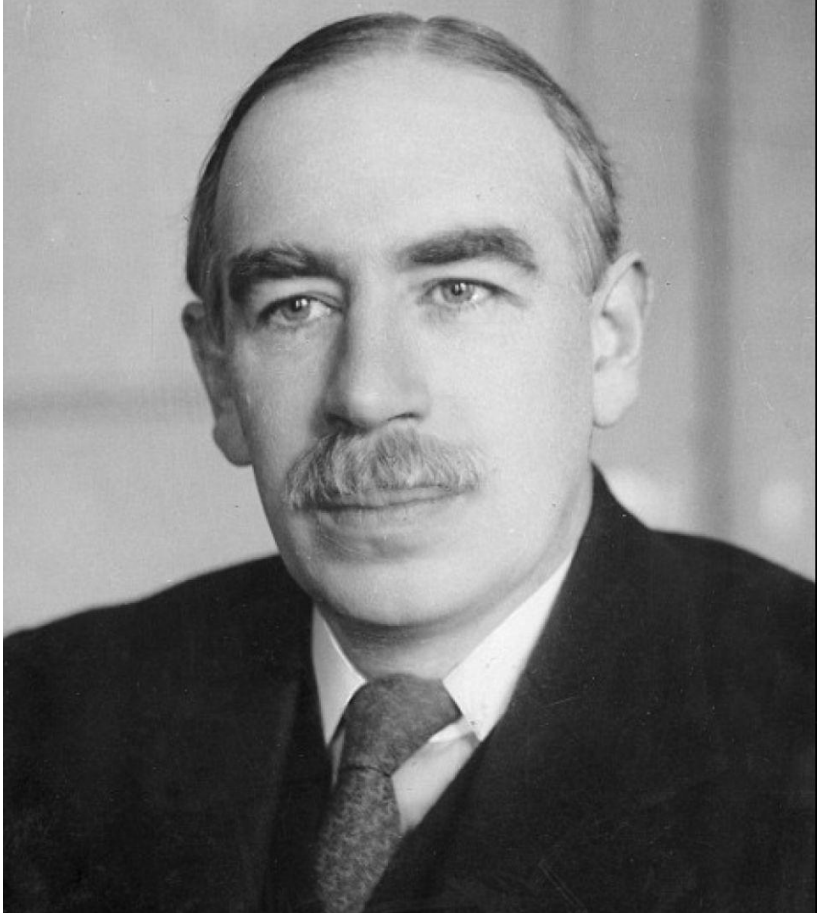


# Political Economy: How Politics Shapes Markets



# Political Economy: How Politics Shapes Markets

**John  
Keynes**



**State Intervention**

**Milton  
Friedman**



**Free Market**

# 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

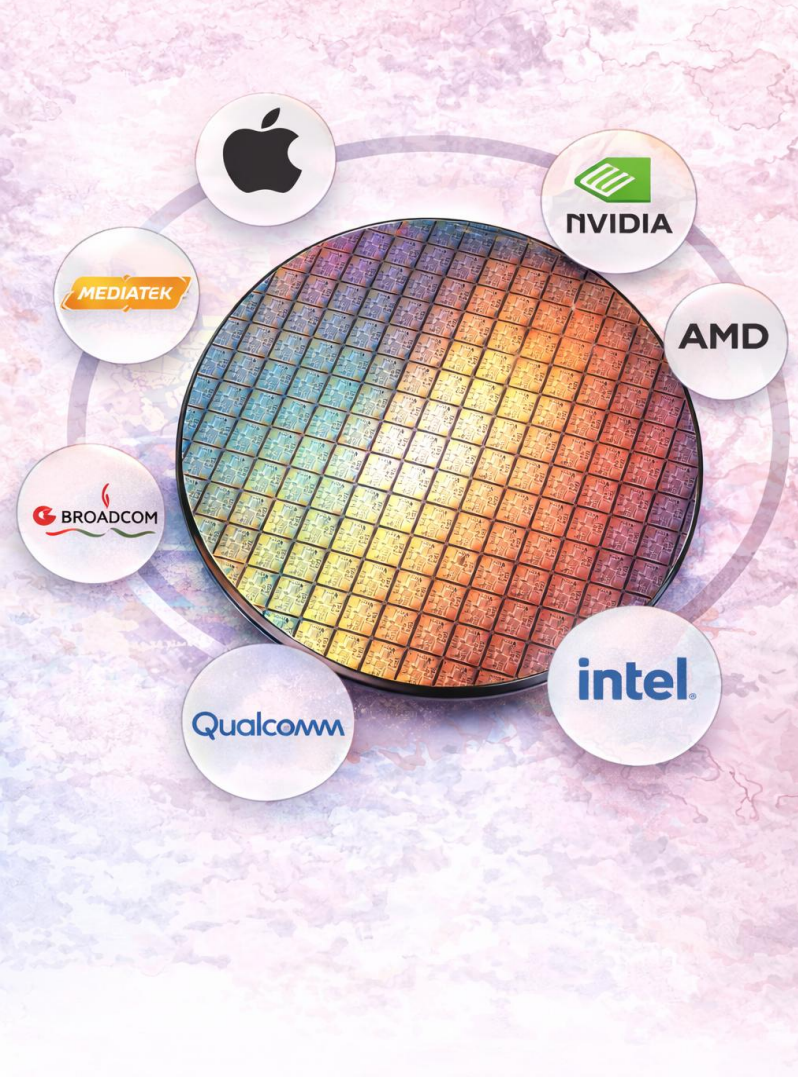


Park Chung-Hee



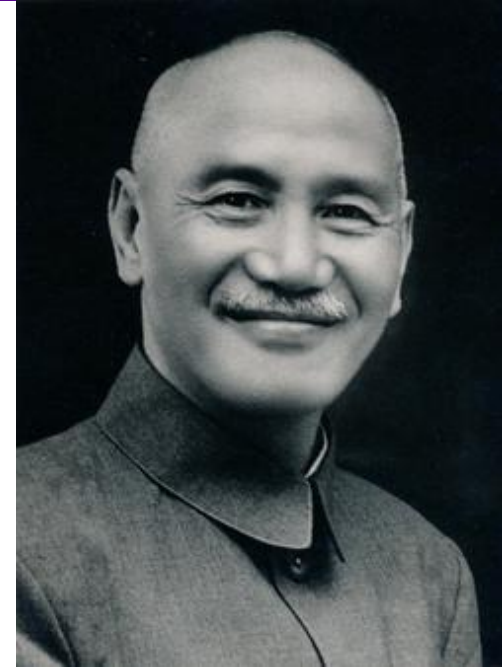
# Foundation I: Political Institution

## The Foundry



## Taiwan

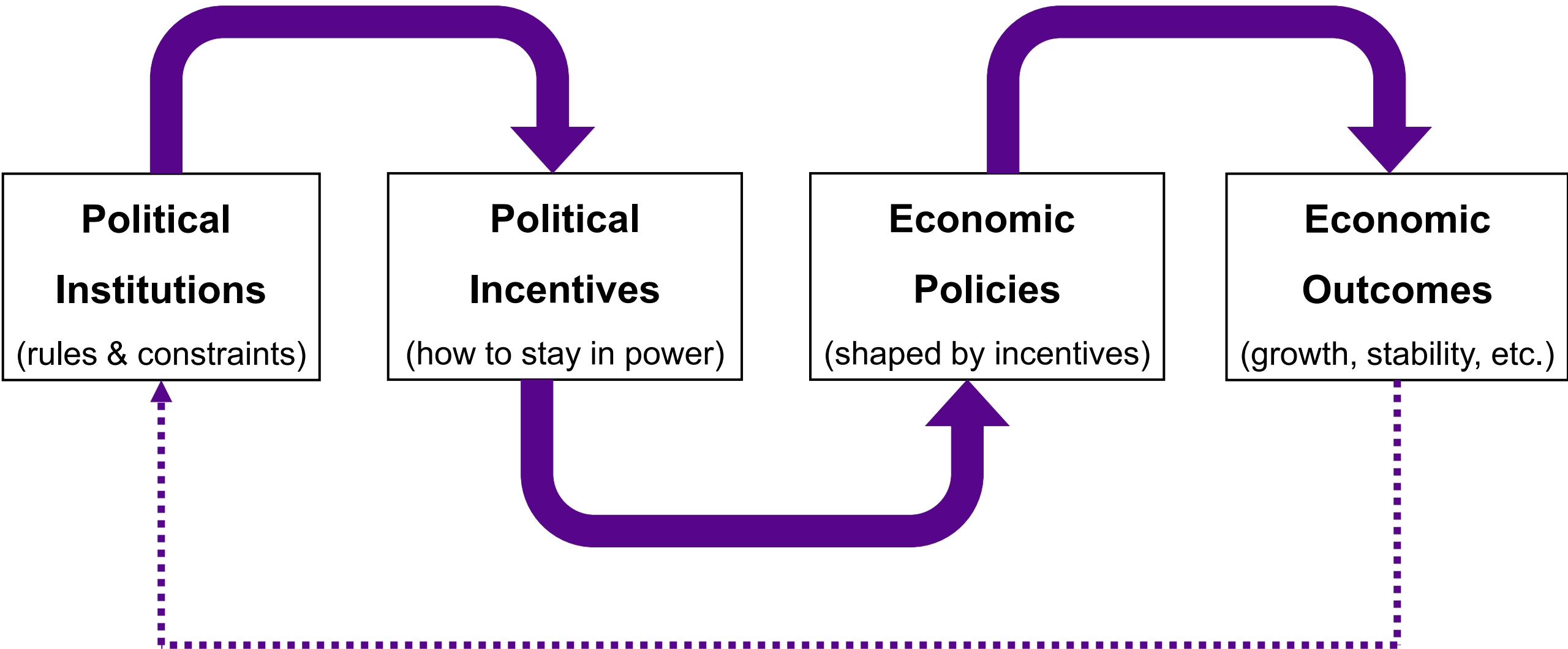
- The KMT (Mainlanders)
- Local Taiwanese
- Suppressed large private groups
- Focus on SMEs
- State-incubated tech to keep control
  - ITRI (Institute for Industrial Technology Research)



**Chiang Kai-Shek**



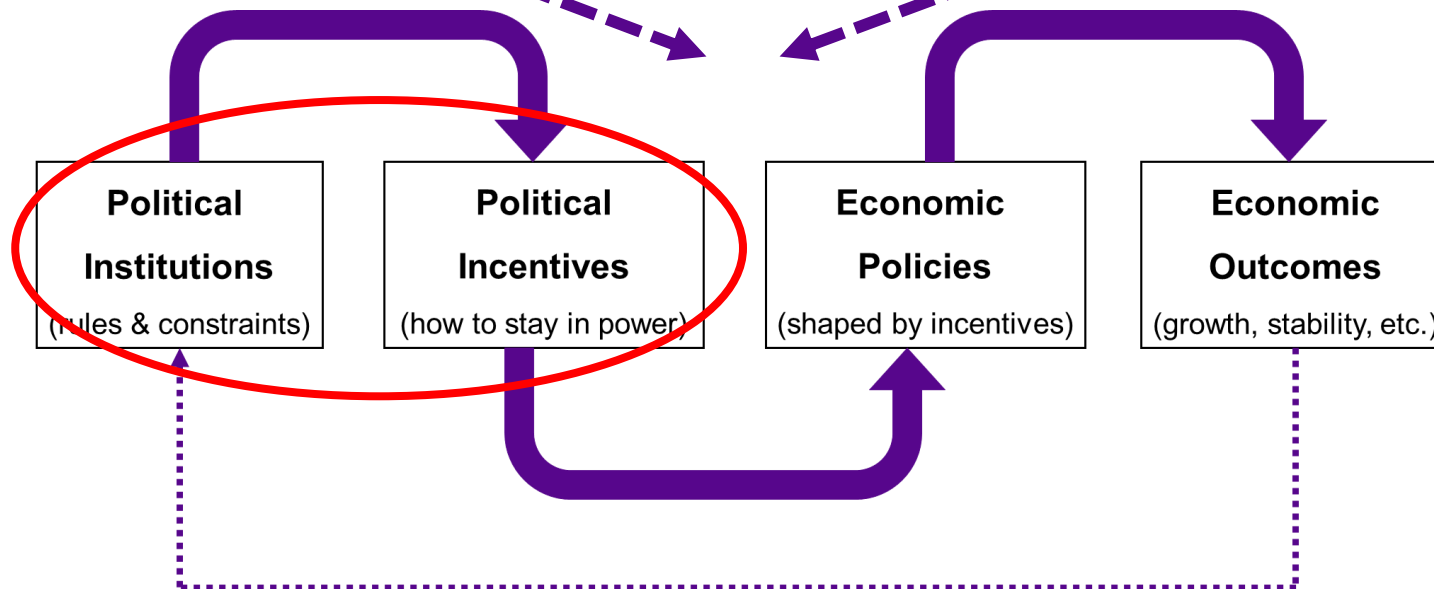
# The Political Economy Process



# The Political Economy Process

History

Geopolitics



# 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:

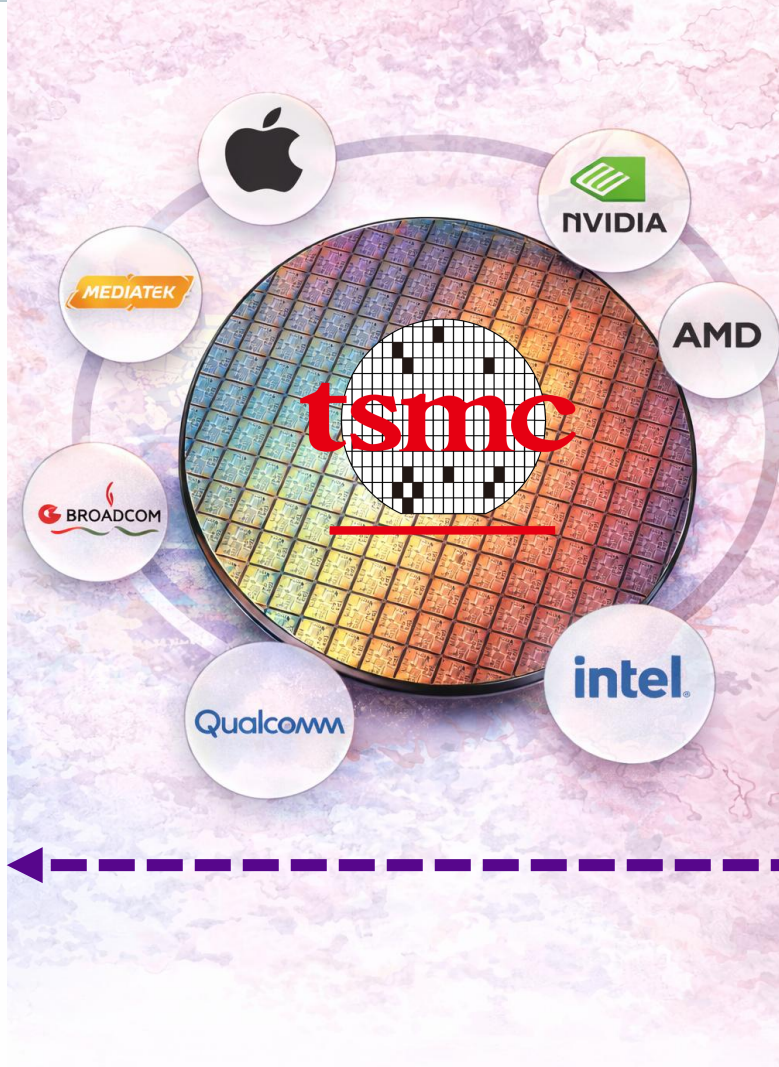
- Most Similar Systems Design (MSSD)
- Most Different Systems Design (MDSD)

# 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

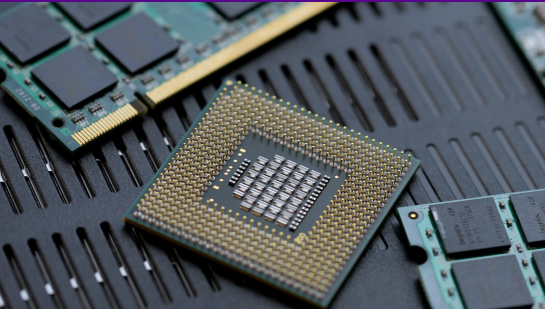
- ...



### Common Choice

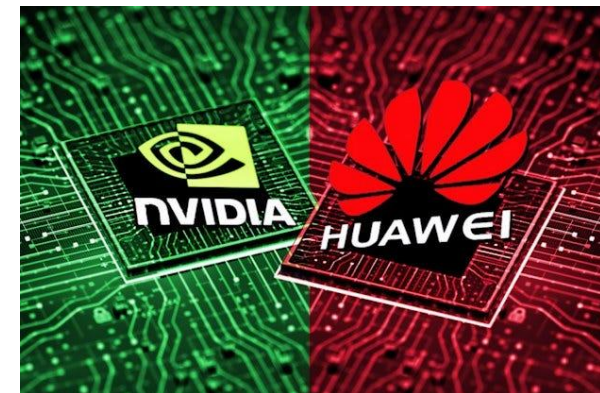
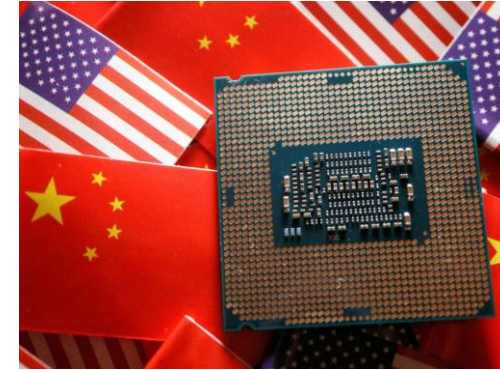
- State-led industrial policy
- Export-oriented growth

# Back to the Future



## Summary:

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



# Thank You!

