

East Asia and Globalization: Economic Development, Crisis and Recent Changes
Kyoto Consortium for Japanese Studies
Fall 2019 Semester

Mondays 2:55 – 6:10 pm

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Objectives

In this course, we will study the historical experience of East Asian economies including Japan and Korea, in terms of the role of the state and globalization. The East Asian countries succeeded in rapid economic growth, led by the developmental governments that implemented industrial policy, trade protection, and financial and capital controls. They adopted a strategic integration into the global economy following the so-called East Asian development model. However, financial opening and deregulation made their economic systems vulnerable, leading to the long-run recession in Japan and the 1997 Asian financial crisis. After the crisis, there have been serious changes in the economic model in East Asia toward a more open and liberalized system. They are, however, concerned about the possibility of a vicious cycle of rising inequality and stagnant economic growth. The East Asian governments are making new efforts to promote growth and reduce inequality. We will examine the East Asian economic development model, the financial crisis, and the recent changes after the crisis in this class. By taking this course, students will gain a better understanding of the current economic situation and what is to be done for inclusive growth in East Asia. The format of this course is a typical lecture by the instructor followed by discussion.

Requirements and Grading Policy

1. Required Readings

Students are required to purchase the following books. Additional weekly readings are listed below, under Class Schedule.

Chang, Ha-Joon, 2006. *The East Asian Development Experience: The Miracle, The Crisis and the Future*. Zed Books.

Studwell, Joe, 2014. *How Asia Works*. Grove Press.

2. Assignments and Grading Policy

Attendance and class participation (15%)

Short writing assignment (10%)

One take-home mid-term examination (25%)

Group presentations (20%) about any topic associated with the East Asian economy

One term-paper at the end of the semester (30%)

Class Schedule

Unit One: The East Asian Development Model

Week 1: Understanding the East Asian growth experience (Sep. 2)

- World Bank. 1993. *The East Asian Miracle: Economic Growth and Public Policy*. New York: Oxford University Press for the World Bank. Chapter 1.
- Rodrik, Dani, 2003. Growth Strategies, NBER Working Paper, No. 10050.

Week 2: The role of the state and globalization in the East Asian development model (Sep. 9)

- Chang, Ha-Joon, 2006. *The East Asian Development Experience: The Miracle, The Crisis and the Future*. Zed Books. Chapter. 1, Chapter 2.

Week 3: History, Institutions and policy in East Asia (Sep. 16)

- Studwell, Joe, 2014. *How Asia Works*. Grove Press. Part 1, Journey 1.
- Chang, Ha-Joon, 2006. *The East Asian Development Experience: The Miracle, The Crisis and the Future*. Zed Books. Chapter.4.

Week 4: The Experience of Japan (Sep. 30)

- Flath, David, 2014. *Japanese Economy*. Oxford University Press. Ch.4, Ch. 8, and Ch. 9.

Week 5: Korea and China (Oct. 7)

- Chang, Ha-Joon, 2006. *The East Asian Development Experience: The Miracle, The Crisis and the Future*. Zed Books. Chapter.2
- Zhu, Xiaodong, 2012. Understanding China's Growth: Past, Present and Future. *Journal of Economic Perspectives*, 26 (4).
- Short writing assignment

Unit Two: The Crisis in East Asia and Economic Restructuring

Week 6: The 1997 financial crisis in East Asia and debates (Oct. 14)

- Furman, Jason and Joseph E. Stiglitz, 1998. Economic Crises: Evidence and Insights from East Asia”, *Brookings Papers on Economic Activity*, Vol. 1998 (2).
- Chang, Ha-Joon, 2006. Chapter 6 and Chapter 8
- Wade, Robert and Frank Veneroso, 1998, The Asian Crisis: The High Debt Model versus The Wall Street-Treasury-IMF Complex. *New Left Review*, 1/228.

Week 7: Globalization and the demise of the East Asian model (Oct. 21)

- Singh, Ajit, 1998. ‘Asian Capitalism’ and the Financial Crisis. CEPA Working Paper No. 10.
- Chang, Ha-Joon, 2006. Chapter 5
- Mid-term examination

Week 8: The financial crisis and economic restructuring (Nov. 4)

- Hoshi, Takeo and Kashyap, Anil. 2004. Japan’s Financial Crisis and Economic Stagnation. *Journal of Economic Perspectives*, 18(1).
- Crotty, James and Lee, Kang-Kook. 2002. A Political-Economic Analysis of the Failure of Neoliberal Restructuring in Post-Crisis Korea. *Cambridge Journal of Economics*, 26(5).

Unit Three: Recent Changes in East Asia: Growth and Inequality

Week 9: Changes in the role of the state in East Asia (Nov. 11)

- Chang, Ha-Joon, 2006. Chapter 7.
- Yeung, Henry Wai-chung. 2017. State-led Development Reconsidered: the Political Economy of State Transformation in East Asia since the 1990s. *Cambridge Journal of Regions, Economy and Society*. 10.

Week 10

Group Presentations and Discussions (Nov. 18)

Week 11: Rising inequality in East Asia (Nov. 25)

- Sonali Jain-Chandra et al., 2016. Sharing the Growth Dividend: Analysis of Inequality in Asia. IMF Working Paper, WP/16/48.
- Lee, Kang-Kook, 2017. The End of Egalitarian Growth in Korea: Rising Inequality and Stagnant Growth after the 1997 Crisis. the 65th Annual Conference, Japanese Society of Political Economy
- Sonali Jain-Chandra et al., 2018. Inequality in China: Trends, Drivers and Policy Remedies. IMF Working Paper, WP/18/127.

Week 12: The future of the developmental state and inclusive growth in East Asia (Dec. 2)

- Stiglitz, Joseph. 2001. From Miracle to Crisis to Recovery: Lessons from Four Decades of East Asian Experience. In *Rethinking the East Asian Miracle*. World Bank and Oxford University Press.
- Wade, Robert. 2018. The Developmental State: Dead or Alive? *Development and Change*, 49 (2).
- Term Paper Due

Reading list:

Unit One: The East Asian Development Model

Flath, David, 2014. *Japanese Economy*. Oxford University Press. Ch. 6- Ch. 9.

Studwell, Joe, 2014. *How Asia Works*. Grove Press.

Knight, John B., 2014. China as a Developmental State. *World Economy*, 37 (10).

Rodrik, Dani, 2003. Growth Strategies, NBER Working Paper, No. 10050.

World Bank. 1993. *The East Asian Miracle: Economic Growth and Public Policy*. New York: Oxford University Press for the World Bank.

Chang, Ha-Joon, 2006. *The East Asian Development Experience: The Miracle, The Crisis and the Future*. Zed Books.

Aoki, Masahiko and Hugh Patrick, Hugh. eds., 1994. *The Japanese Main Bank System: Its Relevance for Developing and Transforming Economies*. Oxford: Clarendon Press.

Zhu, Xiaodong, 2012. Understanding China's Growth: Past, Present and Future. *Journal of Economic Perspectives*, 26 (4).

Shin, Jang-Sup and Chang, Ha-Joon, 2005. Globalization and East Asian Economies: An Introduction, *Global Economic Review*, 34 (4).

Unit Two: The Crisis in East Asia and Economic Restructuring

- Singh, Ajit, 1998. 'Asian Capitalism' and the Financial Crisis. CEPA Working Paper No. 10.
- Corsetti, Giancarlo, Paolo Pesenti and Nouriel Roubini, 1999. The Asian Crisis: An Overview of the Empirical Evidence and Policy Debate, in Pierre-Richard Agénor, Marcus Miller, David Vines and Axel Weber eds. *The Asian Financial Crisis. Causes, Contagion and Consequences*, Cambridge University Press, Cambridge and New York, pp. 127-63.
- Furman, Jason and Joseph E. Stiglitz, 1998. Economic Crises: Evidence and Insights from East Asia", *Brookings Papers on Economic Activity*, Vol. 1998 (2).
- Hoshi, Takeo and Anil Kashyap, 1999. The Japanese Banking Crisis: Where Did It Come From and How Will It End? *NBER Macroeconomics Annual 1999.*, Vol. 14.
- Hoshi, Takeo and Anil Kashyap, 2004. Japan's Financial Crisis and Economic Stagnation. *Journal of Economic Perspectives*, 18 (1).
- Crotty, James and Kang-Kook Lee, 2002. A Political-Economic Analysis of the Failure of Neoliberal Restructuring in Post-Crisis Korea. *Cambridge Journal of Economics*, 26(5).
- Wade, Robert and Frank Veneroso, 1998, The Asian Crisis: The High Debt Model versus The Wall Street-Treasury-IMF Complex. *New Left Review*, 1/228.

Unit Three: Recent Changes in East Asia: Growth and Inequality

- Lee, Kang-Kook, 2017. The End of Egalitarian Growth in Korea: Rising Inequality and Stagnant Growth after the 1997 Crisis. the 65th Annual Conference, Japanese Society of Political Economy
- Sonali Jain-Chandra et al., 2016. Sharing the Growth Dividend: Analysis of Inequality in Asia. IMF Working Paper, WP/16/48.
- Sonali Jain-Chandra et al., 2018. Inequality in China: Trends, Drivers and Policy Remedies. IMF Working Paper, WP/18/127.
- Lechevalier, Sebastien and Brieuc Monfort, 2018. Abenomics: Has It Worked? Will It Ultimately Fail? *Japan Forum*, 2017.
- Botman, Dennis, Danninger, Stephan, and Schiff, Jerald. eds., 2015. *Can Abenomics Succeed? Overcoming the Legacy of Japan's Lost Decades*. International Monetary Fund
- Stiglitz, Joseph and Shahid Yusuf, eds. 2001. *Rethinking the East Asian Miracle*. World Bank and Oxford University Press.
- Wade, Robert. 2018. The Developmental State: Dead or Alive? *Development and Change*, 49 (2).
- Yeung, Henry Wai-chung. 2017. State-led Development Reconsidered: the Political Economy of State Transformation in East Asia since the 1990s. *Cambridge Journal of Regions, Economy and Society*. 10.