Economics 343  Economic Development of East Asia  
Monday/Wednesday 2-3:50pm, KAP144

Instructor: Carsten A. HOLZ  
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Blackboard is used  
Teaching assistant: probably not available  
Prerequisites: as determined by the Dept. of Economics

Course description

This course examines East Asia’s economic development using theoretical concepts of development economics that range from classical to developmentalist and neoclassical theories. It also covers a number of concepts and events specific to East Asian economies, including the East Asian “development miracle,” the role of government in East Asia’s economic development, demographic change, cultural idiosyncracies, regional production networks, and differences in the development strategies and development paths of East Asian countries.

The objectives of this course are to

- understand economic concepts relevant in the analysis of economic development;
- understand the various development processes in East Asian economies;
- examine what, if anything, is special about East Asia’s economic development, and to what degree does an “East Asian development model” exist;
- become aware of the limitations to explaining economic development and to abstracting to general “good practices” of economic development.

Requirements and grading

Quizzes: 10%. 2.5% (pass/fail) for each quiz up to a maximum of 4 quizzes, out of approximately 6. Quizzes cover the required readings of that class. Quizzes are not announced. Quizzes will not be returned. No quiz in Week 1 and Week 7.

Assignments: 20%. 2% (pass/fail) for each assignment up to a maximum of 10 assignments, out of approximately 12. Assignments will not be returned.

Midterm exam: 30%. 6 October 2010, in class, closed-book.

Final exam: 40%. Scheduled by the university in the final exam period, cumulative, closed-book.

Active class participation is expected.
You are invited to choose one East Asian country of your choice early on in the semester and to spend some time familiarizing yourself with that country. (Also see separate note at end of course outline.) If you have difficulty deciding on a country, take a look at some photos? (For example, at http://www.peterlanger.com/asia.htm.)

Learning outcomes

On completing this course, students should possess a basic knowledge of the theories of development economics and the development paths of several East Asian economies. Students should be able to

- apply concepts of development economics to East Asia;
- bring a quality of judgment and evaluation to dispersed information on East Asia’s economic development;
- summarize and critically evaluate existing research literature on East Asia’s economic development;
- independently investigate and put into perspective topics related to East Asia’s economic development.

The midterm and final exams provide incentives for students to familiarize themselves with facts and theories; they also provide an opportunity to develop an argument. The assignments encourage students to explore and think independently about issues of East Asian economic development.

Textbook


There are no “lecture notes,” and it’s not a ppt class.

Films - - - China-focused

“China Blue.” 2005 account of work in a blue-jeans factory. Favors labor. 88min.
“Manufactured Landscapes.” Jennifer Baichwal. 2007. Artistic portrait of industrial production in China. 90min.
The usual fine print
Exams cover material presented/discussed in class, assignments, the required readings, and possibly details on one country of your choice.
You can appeal exam grading within seven days of return of the work by specifying in writing where (and why) you should get more points. A key issue is fairness to everyone: whatever grading rule was used in grading the exams of the whole class will be maintained.
There are no extra-credit assignments.
Missing exams is acceptable only under the usual extenuating circumstances plus documentation (in case of medical reason, a medical certificate stating explicitly that you have been too ill to work on the day of the exam).
If you miss the midterm exam without accepted excuse, your percentage-score in the final exam will be applied to the maximum points obtainable in the midterm exam, up to a maximum of 80% of the lowest score obtained by any student in the midterm exam. (It must not pay to miss an exam, so the best possible imputed score for someone who misses the midterm exam is 80% of the lowest score in that exam.) If you miss the final exam, the same procedure applies using your midterm exam score, up to a maximum of 70% of the lowest score obtained by any student in the final exam.
What we do in class does not necessarily have a one-to-one correspondence with the required readings. If you cannot attend a class, please try to make an arrangement with a fellow student to share their notes with you. You can also talk to the TA, but the TA cannot replace a class session and is not responsible for repeating a class to you.
Students requesting academic accommodation based on disability are required to register with the Disability Services and Programs (DSP) each semester. A letter of verification for approved accommodation can be obtained from DSP (probably Mon-Fri 8:30-5, Student Union 301, (213) 740-0776).
Class Schedule and Reading List

* = “required” reading.
(*) = recommended. The reading may be a bit heavy. Or it may just be that there is already too much required reading for this particular topic. Try to get the gist. If you are short of time or disinterested in this reading, skip it.

As the class proceeds and depending on student interests, there may be slight alterations to the required readings. In the aggregate, the amount of required readings will not be increased (and possibly decreased).


Week 1 (23 and 25 Aug.), and Week 2 --- 30 Aug.

1. Front Matters

1.1 Causal arguments

What is a causal argument and how close can we get to making one in development economics?

* King, Gary, Robert O. Keohane, and Sidney Verba. Designing Social Inquiry: Scientific Inference in Qualitative Research. Ewing, NJ: Princeton University Press, 1994, Chapter 3, “Causality and Causal Inference,” pp. 75-113, in particular pp. 75-85 and 91-5. If you read beyond these selected (particular) pages: feel free to skip the (little) statistics. Try to understand the argument and enjoy the applications (but if you don’t get all, no sweat, skim through). Causality is at the core of much of development economics (and just about any other subject of scientific inquiry).


1.2 East Asia

What is “East Asia?” There is no one definition of “East Asia.”

Try http://en.wikipedia.org/wiki/Asia; …. /East_A sia; …. /Southeast_A sia.

Alternatively, check out the World Bank website, or go to Miracle text (pp. xvi and 1).

2. Development economics

2.1 Economic development

What do we mean when we speak of “development?”
* Cypher/Dietz (Chapter) 2 “Measuring economic growth and development.” Feel free to skip the “Focus boxes.” Skim Ch. 1 (10min).


* Cypher/Dietz 3 “Development in historical perspective”


http://www.gapminder.org/world
http://www1.eur.nl/fsw/happiness/hap_nat/nat_fp.htm click on “nation ranks -- level”
Happy Planet Index: http://www.happyplanetindex.org/list.htm

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**Week 2 --- 1 Sept., and Week 3 ([6 Sept. university holiday.] 8 Sept.)**

2.2 Theory of economic development / development economics
* Cypher/Dietz 4 “Classical and neoclassical theories”
* Cypher/Dietz 5 “Developmentalist theories of economic development,”
* Cypher/Dietz 6 “Heterodox theories of economic development”

2.3 Krugman vs. Hirschman on development economics
What’s “development economics?” What does it do and what are its limitations?

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**Week 4 --- 13 Sept.**

3. Why Did Asia/China Not Industrialize Earlier?
There was a time when no East Asian economic growth was in sight. Europe developed before East Asia. What was going on in East Asia? --- With a focus on China
Try to cruise through the readings at good speed. Go for the main points and skip the details.
4. The East Asian Miracle

Look, it’s a ☺ *miracle*☺!!!

* Miracle: Overview, (Chapter) 1 (pp. 1-77, read pp. 1-60)
* Wade, Robert. “Japan, the World Bank, and the Art of Paradigm Maintenance: The East Asian Miracle in Political Perspective.” New Left Review 217 (May-June 1996): 3-36. (Background information to the process by which the Miracle study was written.)

No, it’s not a miracle(?). After the Asian Financial Crisis everybody knows better, including the World Bank (whose people wrote the Miracle). Here a couple of early critics, pre-Asian Financial Crisis, and then the “official” post-Asian Financial Crisis update, by World Bank people. (BTW, what does this episode tell you about how economists do economics?)


Hall, Rodney Bruce. “The Discursive Demolition of the Asian Development Model.” *International Studies Quarterly* 47, no. 1 (March 2003): 71-99. (When we are talking about the miracle, are we talking economics or blindly swallowing propaganda?)

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**Week 5 --- 22 Sept.**

### 5. Import substitution and export promotion

*One particular development strategy, which happens to have worked well in East Asia*

* Cypher/Dietz 9 “The initial structural transformation: initiating the industrialization process”
* Cypher/Dietz 10 “Strategy switching and industrial transformation”
* *Miracle* pp. 123-47 of Ch. 3, pp. 292-304 of Ch. 6


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**Week 6 (27 and 29 Sept.)**

### 6. Industrial Policy

*Another strategy item of economic development that appears to have worked well in East Asia. The bigger the better? Advantages and disadvantages of state champions. Some basics.*


(*) *Journal of Industry, Competition and Trade* 7, no. 3-4 (Dec. 2007), symposium on industrial policies. In particular:

Week 7

4 Oct. Review session for midterm exam held by TA (or re-scheduled)
6 Oct. Midterm exam

Week 8 (11 and 13 Oct.)

11 Oct. Film

7. Theory of economic development and the role of the state
* Cypher/Dietz 7 “The state as a potential agent of transformation”

The literature on economic developmentalism / role of the state / East Asian model is endless. More by way of example than anything else:


*Week 9 (18 and 20 Oct.), and Week 10 (25 and 27 Oct.)*

**7.1 Korea**  

*Miracle 2* (pp. 79-103)

**7.2 Taiwan**  


(*) Cypher/Dietz 11 “Agriculture and development”


7.3 Japan


**Week 11 --- 1 Nov.**
7.4 Hong Kong and Singapore


Week 11 --- 3 Nov., and Week 12 --- 8 Nov.

7.5 China: Transition Vs. Development

China’s economic transition


China’s economic development seems endless. How endless?


8.-9. Analysis from the Point of View That the Whole Economy Is One Firm
What enters the production process in the one-firm one-product economy? There’s capital, which comes with embodied technology, and labor, which comes with embodied education, and then there’s everything else that we can’t pin down in this whole-economy-one-firm one-product simplification, and which we call “total factor productivity.”

Week 12 --- 10 Nov., and Week 13 --- 15 Nov.

8. Physical capital

8.1 Savings and investment, capital
Before we jump into the one-firm one-product math, some real world issues.
(* ) Miracle pp. 203-42 of Ch. 5

8.2 Total factor productivity
This is the core of the one-firm one-product math.
* Cypher/Dietz 8 “Endogenous growth theories and new strategies for development.”
(*) In the following three articles take it easy on the math. Try to get the gist. The intro and conclusion of an article may be good starting points, and may be all that you want.
There is a lot more literature. Some examples:


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**Week 13 --- 17 Nov.**

**8.3 Innovation**

Let’s drop the one-firm one-product economy. Innovation happens in individual firms. It’s different in every firm. There is no easy economy-wide measure. Here some concrete examples of innovation. We can go from the previous macro math model to the (here) intermediate summary data for one economy on technology transfer and R&D to endless details on just one industry (Doner/Ritchie).

* Cypher/Dietz 13 “Technology and development”


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**Week 14 --- 22 Nov.**

**9. Human capital and labor**

**9.1 Labor markets**

(*) *Miracle* pp. 261-73 of Ch. 6

**9.2 Education**
9.3 Demographics


10. Non-economic origins of East Asia’s economic development: war

* Stubbs, Richard. *Rethinking Asia’s Economic Miracle: the Political Economy of War, Prosperity and Crisis*. New York: Palgrave MacMillan, 2005. Chapters 1, 2 and 3, “Introduction,” “The Old Order and Its Destruction,” and “Saved by the Korean War,” pp. 1-34, 35-62, and 63-91. (Chapter 1 is the most important one; get a rough idea of what’s in Chapters 2 and 3.)

11. Non-economic origins of East Asia’s economic development: culture, gender, networks, and civil society


Week 15 --- 1 Dec.

12. Multinationals and globalization
The topic is too big for comprehensive treatment, involving issues of foreign direct investment, technology transfer, role of multinationals (in different respects), international network production, foreign trade... Let’s do the textbook chapter for an overview, and pick a few kernels around East Asia.
* Cypher/Dietz 14 “Multinational corporations and economic development.” (Take it easy on the “boxes.”)
(*) Cypher/Dietz 15 “Macroeconomic equilibrium: the external balance”

More weeks...
or if you were interested in these additional topics (There’s a lot of literature on these topics. The articles and book chapters listed here are a good starting point, and maybe all you want.)

Other East Asian Economic Development Issues

13. Summary of potential origins of East Asia’s rapid economic growth

14. Flying geese and regional economic development, ASEAN
15. The Asian Financial Crisis


(*) *Miracle* pp. 273-91 of Ch. 6


A few (more) items as a crosscut of the very large literature:

Choi, Jin-Wook. “Regulatory Forbearance and Financial Crisis in South Korea. *Asian Survey* 42, no. 2 (March-April 2002): 251-75. (Published in 2002, it takes a slightly longer view than just the crisis itself. Focuses on one country, Korea.)


16. More on gender and economic development in East Asia

Appropriate readings on this (broad) topic are scarce. The Meier textbook on economic development has a general section. For more, typically somewhat specialized literature related to gender and development, go through the references of the articles listed below.


17. China Vs. India

18. Income (in)equality and growth
* Miracle 4 (pp. 157-189) and much more --- but Ch. 4 in the *Miracle* is a good starting point

19. Macroeconomic equilibrium and finance
* Cypher/Dietz 15 “Macroeconomic equilibrium: the external balance”
* Miracle pp. 105-23 of Ch. 3

20. Economic development and democratization (also several books…)

21. Trade and trade frictions, free trade area, ASEAN

22. Labor movements

23. Distinctive Institutions
History and Country-Specific Literature

There are lots of books (as well as journal articles). Most of the books are concentrated on specific library shelves, easy to browse (including as virtual shelf). Below are a very few of the many books.

Historical background


Country-specific literature (beyond EIU, ADB, OECD etc. reports)

China


Japan


Korea


Taiwan


Multiple East Asian countries

Appelbaum, Richard P., and Jeffrey Henderson (eds.). *States and Development in the Pacific Rim*. Newbury Park, CA: Sage Publications, 1992. (Korea, Malaysia, Japan; also chapters on women, export-oriented growth and the state in Taiwan, and on women, the family, and the state in Hong Kong, Taiwan and Singapore)


*Miracle* pp. 148-55 has “economic and political timelines” for Indonesia, Malaysia, Singapore, and Taiwan.


Data sources for international comparison

Summers-Heston Penn World Table 6.3: http://pwt.econ.upenn.edu/

World Bank data: http://www.worldbank.org/data


IMF International Financial Statistics: via databases (if available) or hard copies in library

OECD country reports (via OECD homepage): http://www.oecd.org/home/

Asian Development Bank country reports: http://www.adb.org/Countries

Economist Intelligence Unit Country Profiles and Reports: via library


UNESCO statistics: http://unescostat.unesco.org
**Your country**

You are invited to choose one East Asian country of your choice and to inform yourself about this country. If you have difficulty deciding on a country, take a look at some photos? See, for example, http://www.peterlanger.com/asia.htm.

If you want to choose an Asian country that’s not considered East Asia: India, Malaysia, Thailand, Indonesia, Laos, Burma, Vietnam, and the Philippines are all sensible.

Know something about “your” country, ideally (a) the basics, (b) a bit more on the economy today, and (c) a bit more on the history.

(a) For basic facts, see, for example, https://www.cia.gov/library/publications/the-world-factbook/index.html.

(b) On the economy today, read a more detailed report, such as one issued by the Economist Intelligence Unit, the OECD, the ADB, or the World Bank (see previous page).

(c) For suggestions on history books and books on East Asian economies see the list on the previous two pages. But there is a lot more. Book-wise, find a couple of call numbers, then go to the (physical or virtual) shelf and look left and right of your call numbers. Article-wise, search the database EconLit.

Ideally, know your country in relation to another country with which you are already familiar, such as the U.S.

For a brief reading that comprises all three elements, look up the country on wikipedia.