

CAS IR 368/EC 368: Contemporary East Asian Economics

Fall 2007
MWF 9:00-10:00 a.m.
GCB 207

Professor William Grimes

Office Hours: M 10-12, W 1-3,
or by appt.
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This course examines economic developments in Japan, South Korea, Taiwan, and China in the post-war period. It emphasizes the institutions and historical conditions that have contributed to, slowed, and shaped development in those economies. We will consider similarities and differences in their experiences of economic development, and examine some of the challenges facing each economy today.

The first half of the course looks at Japan's post-war economy. We will consider how Japan moved from impoverishment and military defeat to industrial, technological, and financial superpower. While we will discuss some of the costs of development, the focus will be on the economic and political factors that allowed Japan to grow in such an astounding way throughout much of the post-war period. We will also address at length the problems of the Japanese economy since the early 1990s, and the issue of why Japanese institutions have done such a poor job of addressing them.

The second half looks at Korean and Taiwanese post-war development, as well as more recent developments in China and in the regional economy. This section of the course considers several key questions: What do the experiences of Korea, Taiwan, and China tell us about the role of government policies in economic growth? Why were the effects of the Asian Financial Crisis on Korea and Taiwan so markedly different? What have been the main drivers for China's extraordinary recent growth? And how have processes of globalization and regionalization changed the economies of Japan, Korea, Taiwan, and China?

Requirements

Students are expected to attend all classes and keep up with the weekly reading assignments (approximately 80-100 pp. per week). There will be one in-class midterm and a final exam. Attendance will be taken regularly. The weights are as follows:

Midterm I	25%
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Midterm II	30%
Final Exam	35%
Attendance/Participation	10%

NOTE: If you miss class for any reason, it is **your** responsibility to ensure that you obtain any assignments or handouts. All assignments and handouts, as well as the syllabus, will be made available through CourseInfo.

Readings

Suzanne Berger and Richard Lester, eds., *Global Taiwan*. Armonk, NY: M.E. Sharpe, 2005.

Thomas Cargill, Michael Hutchison, and Takatoshi Ito, *Financial Policy and Central Banking in Japan*. Cambridge: MIT Press, 2000.

David Flath, *The Japanese Economy*, 2nd edition. Oxford: Oxford University Press, 2005.

Barry Naughton, *The Chinese Economy*. Cambridge: MIT Press, 2007.

The above books are on sale at the bookstore and on reserve in the library. Photocopies of all other chapters and articles in the syllabus are available through the BU Library system, either through the E-Journals resource, through CourseInfo, or on reserve in either Mugar or Pardee (SMG) library.

Course Outline
The Contemporary East Asian Economies
MWF 9-10 a.m.

Wed. 9/5 East Asia: Historical and Geographical Overview

Part I: Post-War Japanese Development

Fri. 9/7 Occupation to Oil Shocks
Flath, Chapt. 4.

Mon. 9/10 Labor Management and Labor Movement
Flath, Chapt. 15, pp. 120-129.

Wed. 9/12 The Japanese Production System: *Kanban* and QCs
Michael Cusumano, *The Japanese Automobile Industry: Technology and Management at Nissan and Toyota* (Cambridge: Harvard University Press, 1991), pp. 262-307, 320-342.

Fri. 9/14 Review

Mon. 9/17 Keiretsu: Corporate Alliances
Flath, Chapt. 12.

Wed. 9/19 Industrial and Technology Policy
Flath, Chapt. 9; Daniel Okimoto, *Between MITI and the Market* (Stanford, 1989), pp. 55-86.

Fri. 9/21 Review

Mon. 9/24 Savings and Investment
Flath, Chapt. 5.

Wed. 9/26 Fiscal Policy
Flath, Chapt. 10. pp. 129-136.

Fri. 9/28 Review

Mon. 10/1 Trade Frictions
Flath, Chapt. 8; C. Fred Bergsten, Takatoshi Ito, and Marcus Noland, *No More Bashing* (Institute for International Economics, 2001), Chapt. 4.

Wed. 10/3 Exchange Rates & Outward Investment
Flath, Chapt. 7.

Fri. 10/5 Review

- Tues. 10/9 **MIDTERM EXAM**
- Wed. 10/10 Finance and Financial Policy in the 1980s: Bubble and Crash
Thomas Cargill, Michael Hutchison, and Takatoshi Ito, *The Political Economy of Japanese Monetary Policy* (MIT, 1997), Chapt. 5.
- Fri. 10/12 Finance and Financial Policy after the Crash
Cargill, et al., Chapt. 2, 5.
- Mon. 10/15 Financial Supervision Reforms
Cargill, et al., Chapt. 3.
- Wed. 10/17 Deregulation & Innovation
Edward Lincoln, *Arthritic Japan* (Brookings, 2001), Chapt. 3.
- Fri. 10/19 Review
- Part II: Korea and Taiwan in the Post-War Period***
- Mon. 10/22 Korea and Taiwan: From Import-Substitution to Export-Led Growth
Robert Wade, *Governing the Market* (Princeton, 1990), Chapt. 2.
- Wed. 10/24 Korea: Industrial Targeting and the Growth of the Chaebol
Edward Graham, *Reforming Korea's Industrial Conglomerates* (IIE, 2003), Chapt. 2, 3.
- Fri. 10/26 Review
- Mon. 10/29 State and Finance in Korea and Taiwan
Soon Cho, *The Dynamics of Korean Economic Development* (Institute for International Economics, 1994), Chapt. 6; Tzong-shian Yu, "The Evolution of Commercial Banking and Financial Markets in Taiwan," *Journal of Asian Economics*, vol. 10 (1999), pp. 291-307.
- Wed. 10/31 Korea and Taiwan: From Smokestacks to Computer Chips
Charles Harvie and Hyun-Hoon Lee, *Korea's Economic Miracle: Fading or Reviving?* (Palgrave, 2003), Chapt. 6; Berger and Lester, Chapt. 4, 5.
- Fri. 11/2 Review
- Mon. 11/5 **MIDTERM EXAM**
- Wed. 11/7 Asian Financial Crisis
Steven Radelet and Jeffrey Sachs, "The Onset of the East Asian Financial Crisis," *NBER Working Paper*, No. 6680, 1998, pp. 11-40.
- Fri. 11/9 After the Asian Financial Crisis – Korea

Cho Yoon-je, "Korea's Financial Sector Restructuring after the Crisis," *Joint U.S.-Korea Academic Studies*, vol. 13 (2003); Gregory Noble and John Ravenhill, "The Good, the Bad, and the Ugly? Korea, Taiwan, and the Asian Financial Crisis," in Gregory Noble and John Ravenhill, *The Asian Financial Crisis and the Architecture of Global Finance* (Cambridge, 2000), pp. 80-107.

Wed. 11/14 Economic Transition in Taiwan
Berger and Lester, Chapt. 3, 7.

Part III: The Rise of China and the Transformation of East Asia

Fri. 11/16 China's Market Transition
Naughton, Introduction and Chapt. 4.

Mon. 11/19 Growth and Structural Change in China
Naughton, Chapt. 6.

Mon. 11/26 Industry and Ownership in China
Naughton, Chapt. 12, 13.

Wed. 11/28 China in World Trade
Naughton, Chapt. 16.

Fri. 11/30 Review

Mon. 12/3 Foreign Investment in China
Naughton, Chapt. 17.

Wed. 12/5 China's Financial System
Naughton, Chapt. 19.

Fri. 12/7 Production Networks in East Asia
Naoko Munakata, *Transforming East Asia* (Brookings, 2006), Chapt. 3;
Berger and Lester, Chapt. 1, 6.

Mon. 12/10 Aging Society Issues
Nicholas Eberstadt, "Asia Tomorrow, Gray and Male," *The National Interest*, no. 53, Fall 1998, pp. 56-65.

Wed. 12/12 Overall Review of Post-War East Asian Economies