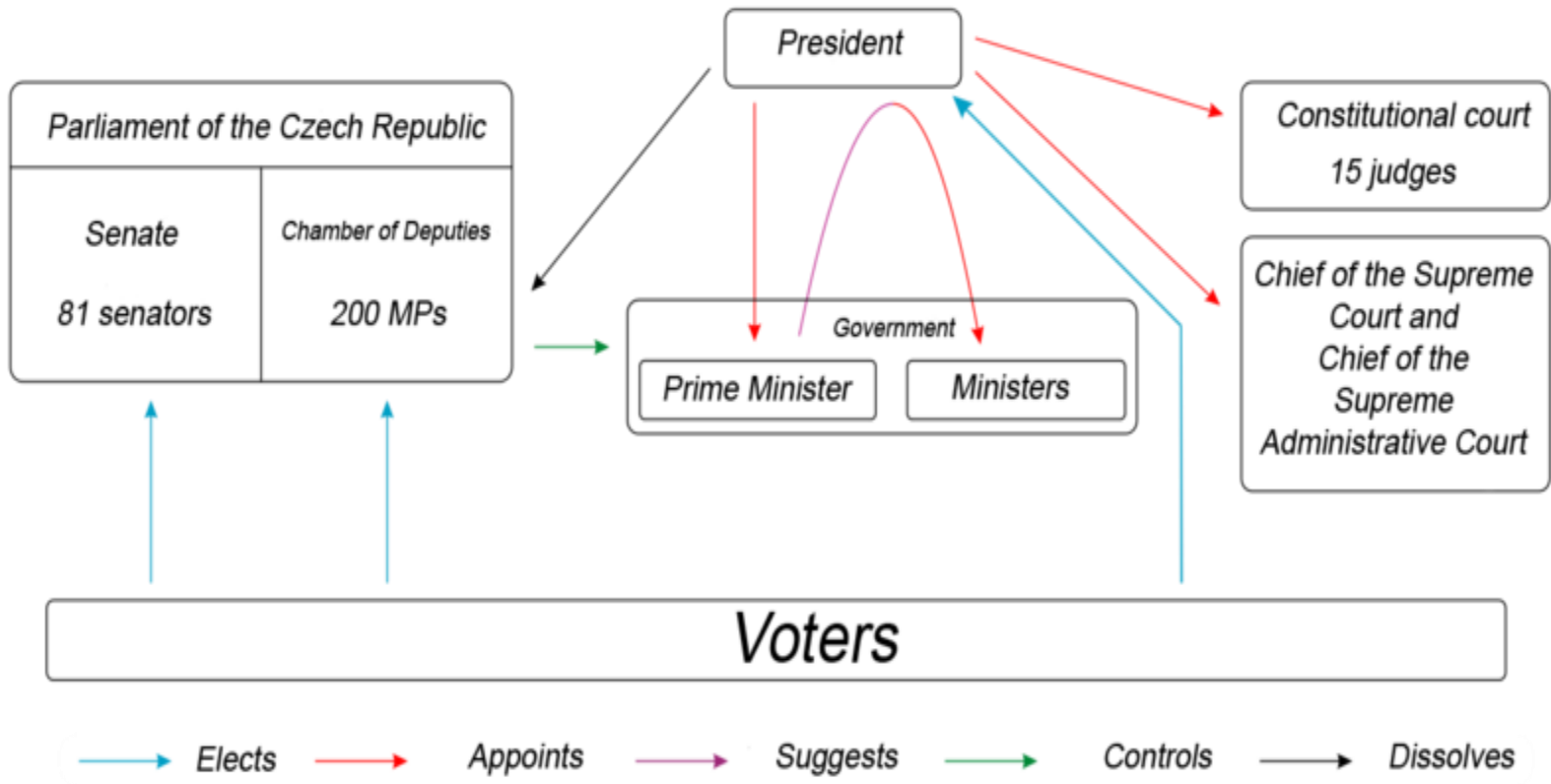


# III. Democratization and Multi-party Competition

## ◆ Political institutions?

	Korea	Japan	Taiwan
<b>Executive-Legislative</b>	Presidential (with de jure veto power)	Parliamentary	Semi-presidential (with de facto veto power)
<b>Party System</b>	One-party dominant system (before 1990) → Multi-party system (after 1990)		
<b>Division of Power</b>	Unitary state		
<b>Legislative Systems</b>	Unicameral	Bicameral (upper house with the veto power)	Unicameral
<b>Electoral System</b>	Modified Plurality SMD w/ "PR"list allocation → MMM (2004)	MMD+SNTV → MMM (1994)	Semi-Proportional SNTV (MMD) w/ PR list allocation → MMM (2006)
<b>Judicial System</b>	Civil law tradition and weak judicial review		
<b>Central Bank</b>	Weak central bank independence		
<b>Political Actors</b>	Traditionally Strong elite-bureaucrats; Weak trade union, left-wing party, and NGOs		
<b>Legislative Initiative</b>	Both bureaucrats and individual MPs		



# III. Democratization and Multi-party Competition

## ◆ Electoral Rules

- **Electoral Rules:** **i) Majoritarian** (SMDP, AV, Two-round, SNTV) **ii) Proportional** (list system or STV) **iii) Mixed** (Mixed Member Majoritarian or Mixed Member Proportional)

## ■ Electoral Rule change in East Asia

**Electoral Systems Changes in Asia Since 1990**

Country	Former Electoral System	New Electoral System	Year
Cambodia	Closed list PR (largest remainder method)	Closed list PR (highest average method)	1998
East Timor	—	MMM	2001
Indonesia	Closed list PR	Open list PR	2004
Japan	SNTV	MMM	1994
Philippines	Plurality-block	MMM	1998
South Korea	Modified plurality <sup>a</sup>	MMM	1996, 2003
Taiwan	Mixed SNTV-PR	MMM	2005
Thailand	Block vote	MMM	1997

Note: PR = proportional representation; MMM = mixed member majoritarian; SNTV = single nontransferable vote.

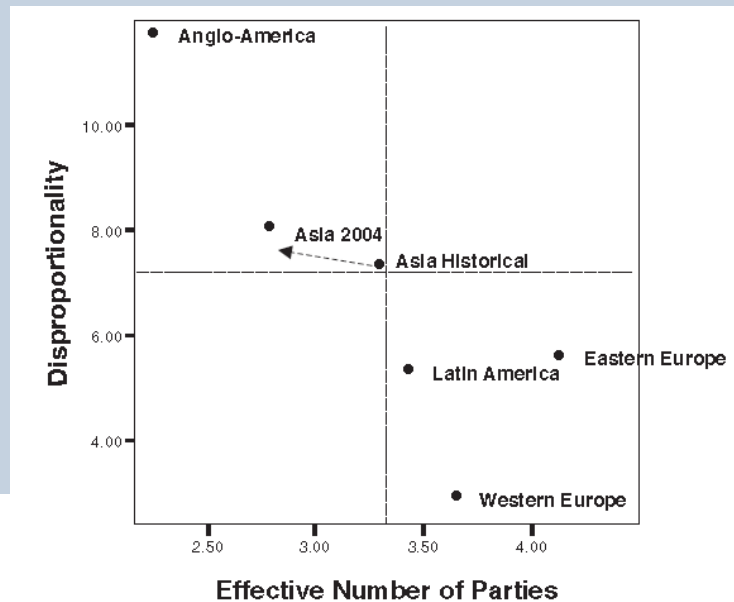
# III. Democratization and Multi-party Competition

## ◆ Electoral Rules

### ■ Why not change/why change?

- **Not change:** main parties are benefitting from the current electoral rule & effect of electoral rule change not clear
- **Change:** public perception (e.g. representation or efficiency) & to minimize future loss

### ■ What is special?

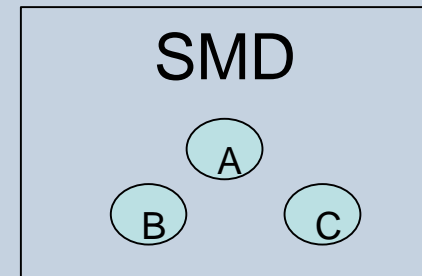
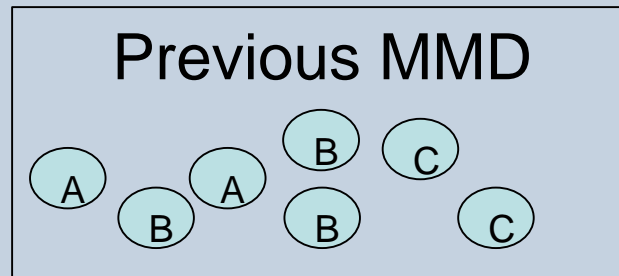


# III. Democratization and Multi-party Competition

## ◆ Electoral Rules

### Effect on Party System

- Why do SMDP creates a two-party system and list PR creates a multi-party system?
  - Duverger's Law: psychological effect (sincere preference to vote share) mechanical (vote share to seat share)



- Change in the **rules of the game** → change in players **strategies** → change in **political outcomes** → change in **policy choices**

# III. Democratization and Multi-party Competition

## Effect on Political outcome in Japan (and increasingly in Taiwan)

- ◆ **Today's Faction:** Small and numerous, flexible membership.
- ◆ **Party Centralization** Public Financing: mandated all private contributions only to parties, Not to individuals
- ◆ Importance of **party leadership**: the rise of Koizumi and his relationship with the media

Related YouTube: <https://www.youtube.com/watch?v=UJYUG1o22DI>

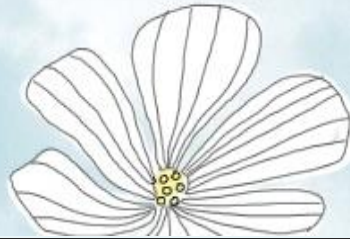
# III. Democratization and Multi-party Competition

## ■ Changes of Policy Outcomes in Japan (and increasingly in Taiwan)

- ◆ Decrease of particularistic benefits (e.g. construction projects, agricultural subsidies) & increase of universal benefits (e.g. childcare, elderly care, parental leave)
  
- ◆ Increasing saliency of foreign policy issues



# *The Japanese Developmental State Model and its Korean and Taiwanese Variants*



**Jaemin Shim**  
(GIGA, Post-doctoral researcher)

- I. Developmental State?**
- II. Colonial Origin of Developmental State 1**
- III. Colonial Origin of Developmental State 2**
- III. Japanese Developmental State and Korean variant**



# I. Developmental State?

- What is the developmental state?

## \*\* Four key characters



# I. Developmental State ?

## ■ What is the developmental state?

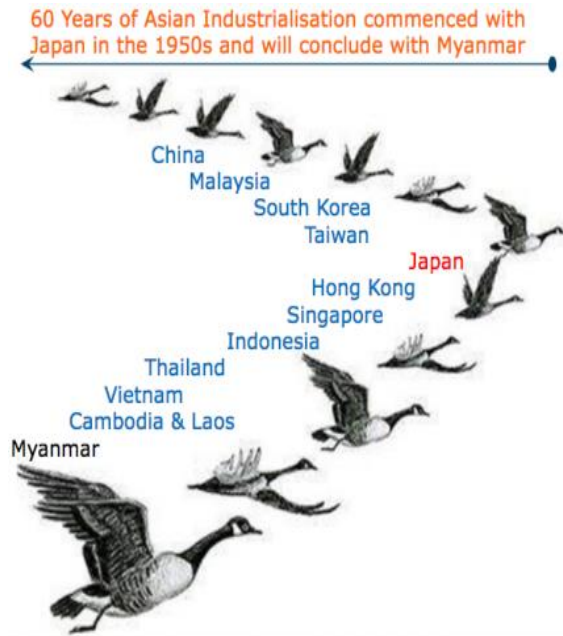
### \*\* Four key characters

- 1) **Stable rule by a political-bureaucratic elite** not acceding to political demands that would undermine economic growth
- 2) **Cooperation between public and private sectors** under the overall guidance of a pilot planning agency
- 3) **Heavy and continuing investment in education for everyone**, combined with policies to ensure the equitable distribution of the wealth created by high-speed growth
- 4) And government that understands the need to use and respect methods of **economic intervention based on the price mechanism**

# I. Developmental State?

## ■ What is the developmental state?

### \*\* Asian-thing? Flying geese model



Korea	Japan	Taiwan
<b><u>Industrial Structure</u></b>		
Labour-intensive Import Substitution Industry (1960~1962)	Labour-intensive Light Industry (1880~1930)	Labour-intensive Import Substitution Industry (1950~1960)
Labour-intensive Light Industry (1962~1970)	Capital-intensive Heavy Industry (1930~1965)	Labour-intensive Light Industry (1960~1970)
Capital-intensive Heavy Industry (1970~1980)	Knowledge-intensive High-Tech Industry (1965~now)	Capital-intensive Heavy Industry (1970~1980)
Knowledge-intensive High-Tech Industry (1980~now)		Knowledge-intensive High-Tech Industry (1980~now)

## II. Colonial Origin of Developmental State 1

■ Positive Influence of colonial legacies? (Kholi, 2004; Bruce-Cummings, 1987)

### **\*\* Colonial state replaced an old weak state, holding society ay bay**

- 1) Using Highly articulated, disciplined, penetrating colonial bureaucracy
- 2) North-South trunk railroad lines were lad, ports were opened, rice-cane sugar promoted  
→ rice export increased in Korea and sugar export increased in Taiwan

### **\*\* Semi-periphery state?**

- 1) Manchuria – Korea – Japan
- 2) Southeast Asia – Taiwan - Japan



## II. Colonial Origin of Developmental State 1

- Positive Influence of colonial legacies? (Kholi, 2004; Bruce-Cummings, 1987)

### \*\*\* Continuance of Legacy



- 1) Capitalists took over formerly Japanese-held industries

## II. Colonial Origin of Developmental State 1

- **Positive Influence of colonial legacies? (Kholi, 2004; Bruce-Cummings, 1987)**

### **\*\*\* Continuance of Legacy**

#### **2) post-war continuity**

The Korean Finance Ministry and Ministry of Trade and Industry looked very much like Japan's Ministry of Finance and MITI.

To promote foreign trade, MITI had established JETRO (the Japan External Trade Organization), and South Korea established KOTRA (the Korea Overseas Trade Association).

To manage technology introduced from abroad, MITI had established AIST (the Agency for Industrial Science and Technology), and South Korea established KIST (the Korean Institute for Science and Technology).

## II. Colonial Origin of Developmental State 1

- **Positive Influence of colonial legacies? (Kholi, 2004; Bruce-Cummings, 1987)**

### **\*\*\* Continuance of Legacy**

#### **2) post-war continuity**

Japan early on had a Reconstruction Bank that was later replaced by the Japan Development Bank. South Korea also initially had a Reconstruction Bank that was later renamed the Korean Development Bank.

South Korea founded a Federation of Korean Industries similar to Japan's Federation of Economic Organizations (Keidanren) to deal with general management issues and a Korean Employers' Association similar to the Japan Federation of Employers' Association (Nikkeiren) to deal with labour issues.

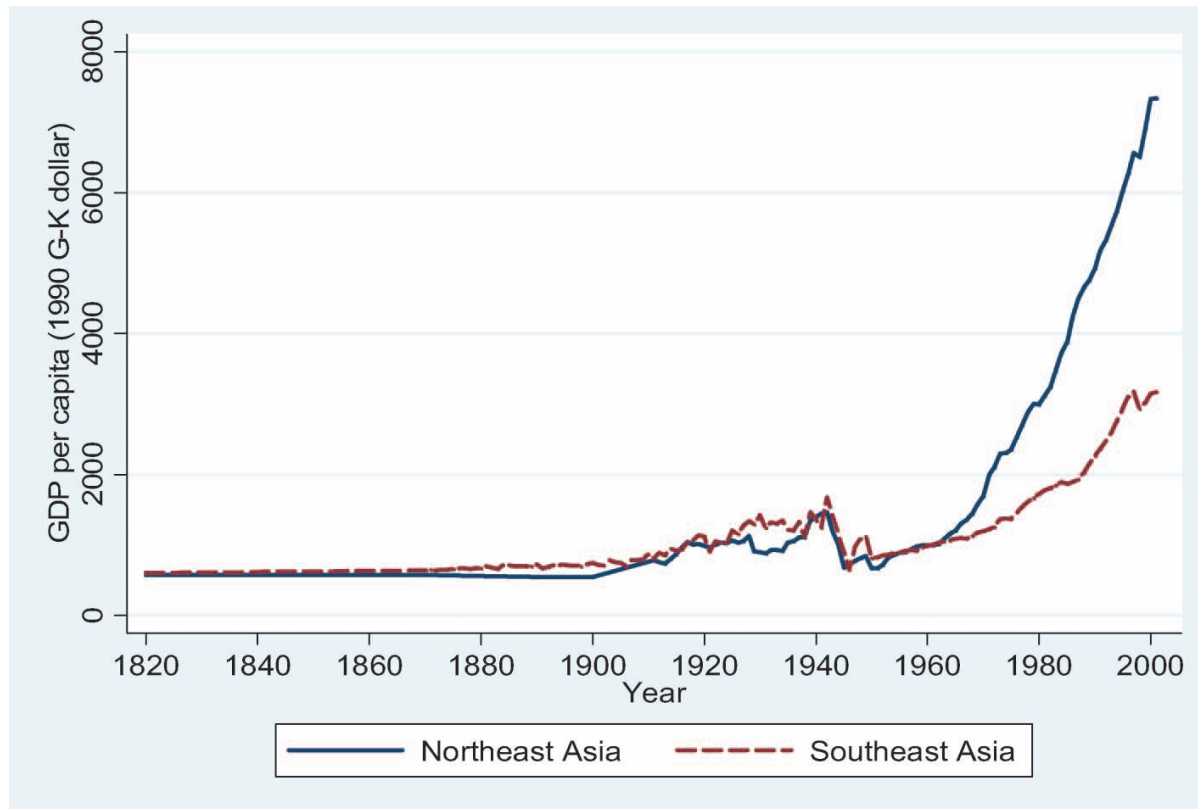
After Japan set up the Japan Economic Institute in Washington, D.C., to provide information to American officials, South Korea set up a Korean Economic Institute there with similar goals.

# III. Colonial Origin of Developmental State 2

## ■ Beyond colonial legacies? (Kim, 2009)

### \*\*\* Disruption of Legacy

#### 1) Puzzle: why difference?





# III. Colonial Origin of Developmental State 2

## ■ Beyond colonial legacies? (Kim, 2009)

### \*\*\* Disruption of Legacy

2) **Puzzle:** an increase in the income level in other countries, we can conclude that economic development was not limited to some peculiarity of Japanese rule

Countries	1820	1870	1930	1950	1970	2000
Burma	504	504	902	396	646	1353
China	600	530	567	439	783	3425
Indonesia	612	654	1164	840	1194	3203
Japan	669	737	1850	1921	9714	21069
Korea	600	604	1020	770	1954	14243
Malaysia	605	663	1636	1559	2079	7872
Philippines	704	776	1476	1070	1764	2385
Singapore	615	682	1279	2219	4439	22207
Taiwan	499	550	1099	924	2980	16642
Thailand	646	712	793	817	1694	6336
Vietnam	527	505	724	658	735	1790

# III. Colonial Origin of Developmental State 2

## ■ Beyond colonial legacies? (Kim, 2009)

### \*\*\* Disruption of Legacy

**Answer:** Some of the Northeast Asian countries (e.g., Japan, Taiwan and Korea) undertook radical land reforms that dramatically equalised income in society. as opposed to their Southeast Asian counterparts. This income equality was achieved through radical land reforms undertaken soon after independence

# III. Colonial Origin of Developmental State 2

## ■ Beyond colonial legacies? (Kim, 2009)

### \*\* Negative Influence of Colonial rule?

- 1) In general: Colonial rule involved 'bad' institutions that perpetuated income inequality, which, in turn, impedes the provision of public goods and infrastructure, economic opportunities and broad participation in the commercial economy (Engerman and Sokoloff, 2002, 2005).
- 2) Southeast Asian case: all the Southeast Asian countries – with the sole exception of Vietnam, which made a social revolution – more or less took over the existing colonial institutional structure and established "neo-colonial rule"

# III. Colonial Origin of Developmental State 2

## ■ Intentional land reform? (Johnson, 1987)

### \*\*\* Unintended Consequences

- **South Korea: the US (1945-1946) & North Korea (1950)**
  - : Southern landlords succeeded in recapturing the state in 1948-1949
  
- **Taiwan: KMT from mainland China & the US**
  - : Communist victory in mainland had to do with peasant uprising & inflation
  
- **Japan: the US**
  - : To fend off threat of communism & minimize totalitarian appeals

## ■ Discussion 1: Colonial Legacies and Developmental State

### \*\* Key Points

1) Which side do you think is correct? Based on what ground and evidence?

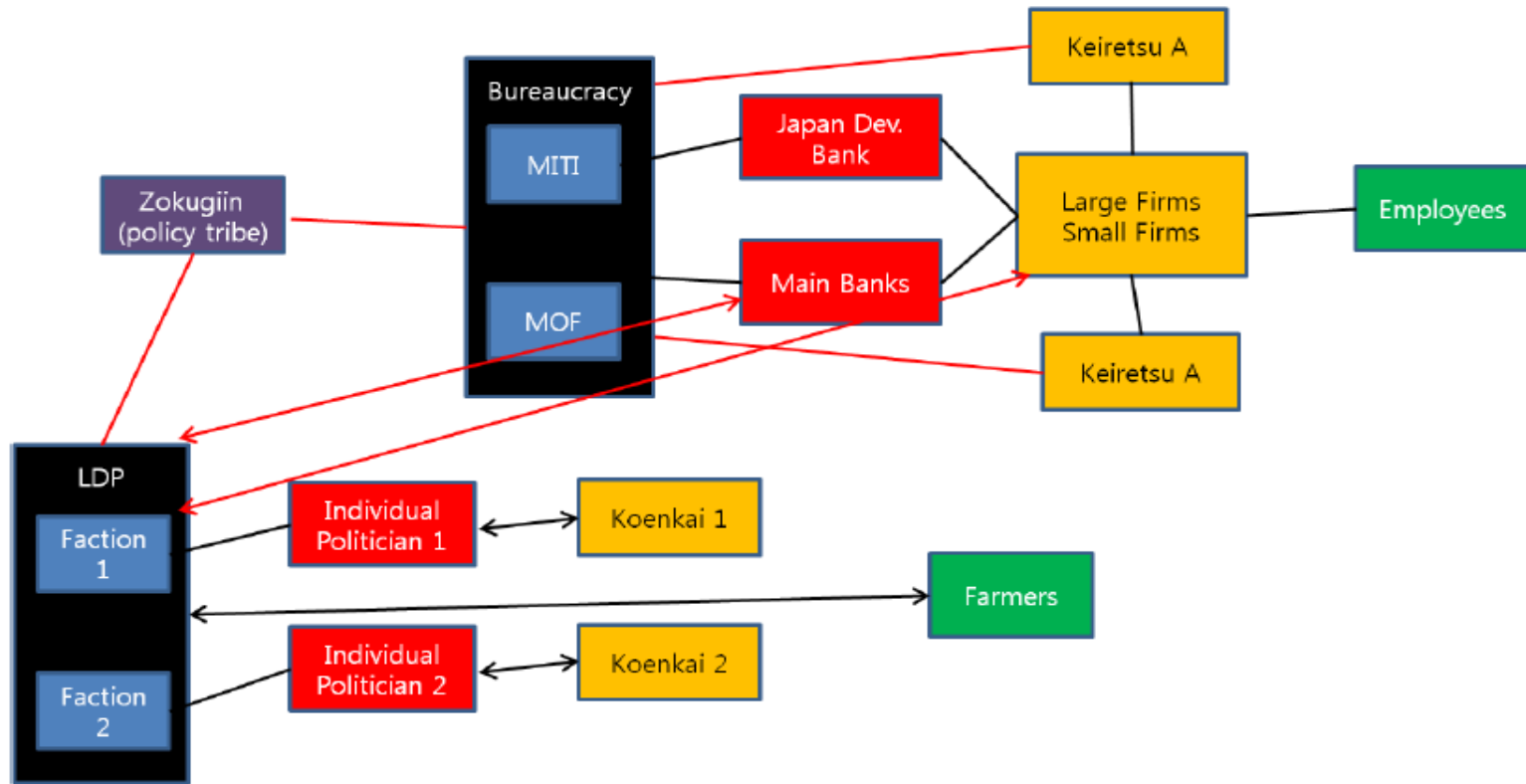
2) Implications to countries beyond East Asia?

3) How can we distinguish empirical and moral side?



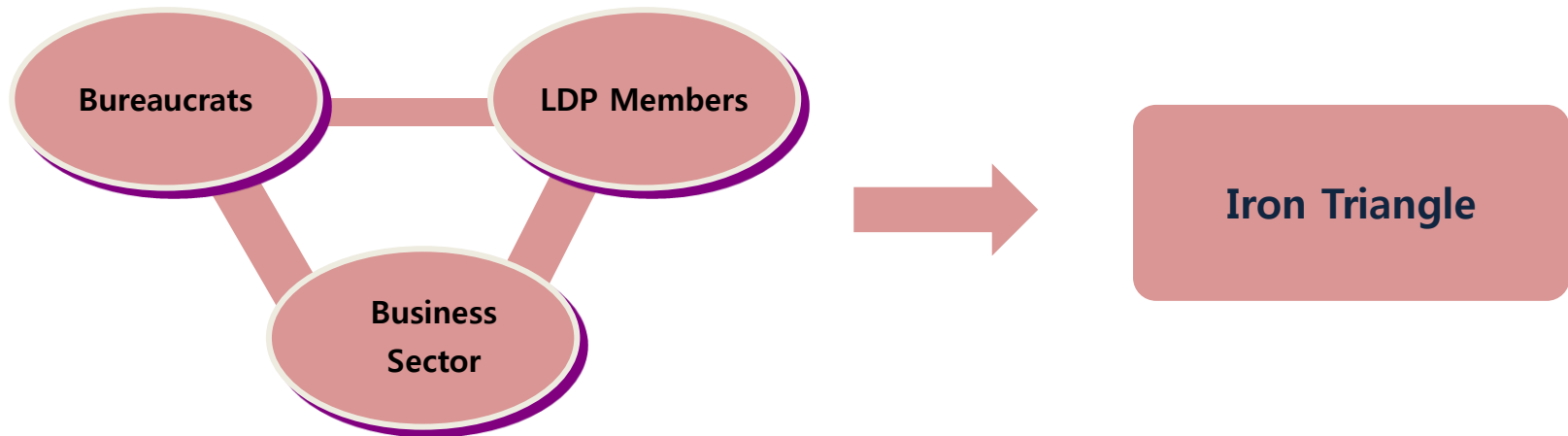
# IV. Japanese Developmental Model and its Variants

*How does it look like?*



# IV. Japanese Developmental Model and its Variants

*Relationship between the LDP and the business sector and the boom of Japanese economy*



*A Result of Iron Triangle: Miracle of Japanese Economy*

# IV. Japanese Developmental Model and its Variants

- The postwar Japanese economy prospered rapidly. Why?

## \*\* Mainstream Explanation

**Highly inter-linked system:** Cross-share holding system, Main-bank system, life-long employment, and steel and rice coalition

## \*\* Some other views

- 1) US-Japan Treaty
- 2) Korea War





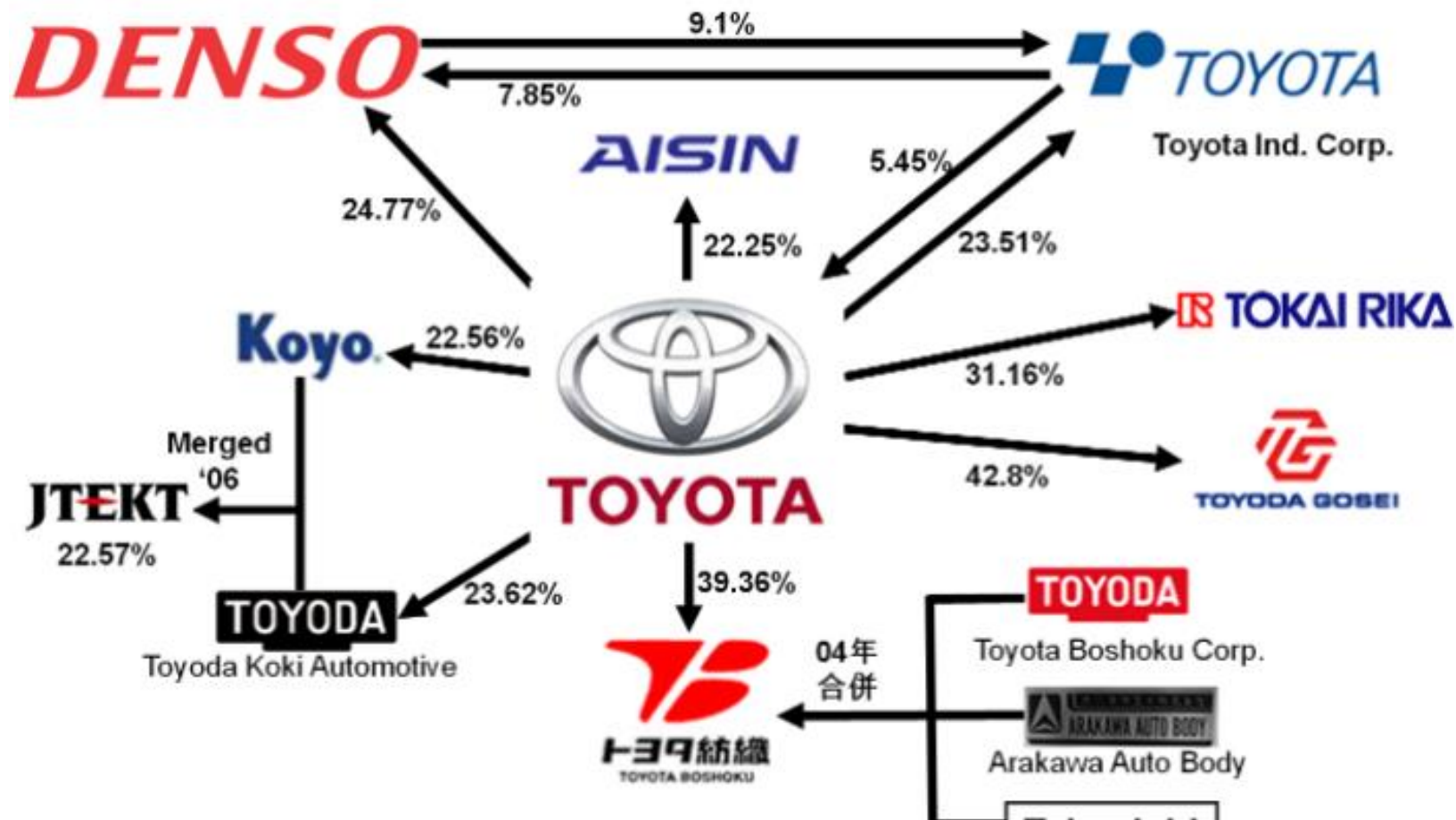
# IV. Japanese Developmental Model and its Variants

## 1) Cross-share Holding System

- *Keiretsu*: groups of firms with interlocking shareholding patterns. They bought each other's shares to maintain internal control over shareholding.

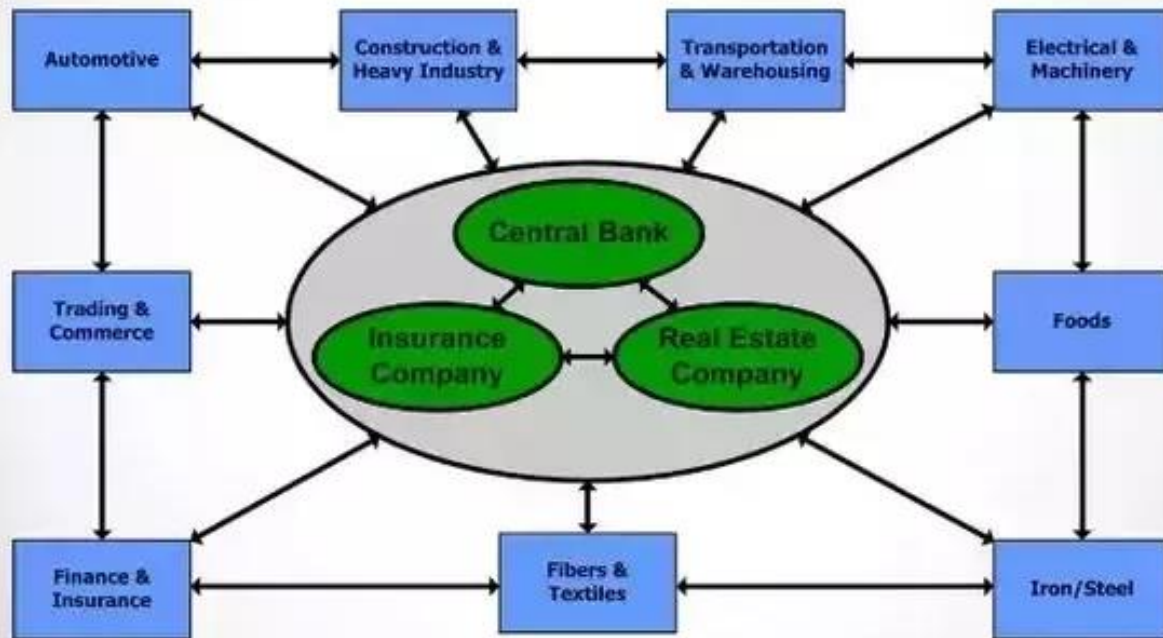
- Strength: 1. Alleviates the internal competition.
2. Stabilizes the operation of the firms and enables the managers to have a long view of the development.
  3. Avoid the hostile foreign takeovers





# Keiretsu

Typical Keiretsu Business Group structure



# IV. Japanese Developmental Model and its Variants

## 2) Main-bank System and Lifetime Employment

- Banks take considerable shares of firms.

Benefits: Bankers: better monitor the operation of firm finance.

Firms: easier to take long-term loan from banks.



- **Result 1:** Security of the long-term loan, firms are able to keep a large number of lifetime employees.
- **Result 2:** Job security stimulates workers' loyalty and motivates them to learn more which is needed by their own firms.

# IV. Japanese Developmental Model and its Variants

## 3) Coalition of Steel and Rice



- **Farmers:** voting groups of the LDP

Requirement: a closed agricultural market to avoid foreign competition and opened industrial market to buy equipment at a lower price.

- **The big companies:** sources of money.

Requirement: wants a closed industrial market to avoid competition and an opened agricultural market to buy materials at a lower price.

# IV. Japanese Developmental Model and its Variants



## ■ US-Japan Treaty

- Under the treaty, both parties assumed an obligation to maintain and develop their capacities to resist armed attack in common and to assist each other in case of armed attack on territories under Japanese administration. However, Japan could not come to the defense of the United States because it was constitutionally forbidden to send armed forces overseas

- Results: Japan is able to focus on the economic Development; Military spend around 1% of GNP

# IV. Japanese Developmental Model and its Variants



## ■ Korean War

- War-time Special Procurement: Purchase Japanese labor and goods for use in Korea or for use in support of other military and naval operation in the Asian region

# IV. Japanese Developmental Model and its Variants

## *Korean Chaebol and Japanese Zaibatsu (財閥)*

■ **Definition:** financial cliques. vertically and horizontally integrated "industrial groups" or conglomerates, usually including their own trading company  
And.

- **Zaibatsu:** Meiji government use protectionism to help private firms to develop. During the two wars, Zaibatsu get significant Development through the close relationship with war industry

■ **How does it look like?**





# SAMSUNG GROUP

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## Electronics Industries

SAMSUNG ELECTRONICS  
SAMSUNG SDI  
SAMSUNG SDS  
SAMSUNG CORNING  
SAMSUNG NETWORKS  
SAMSUNG ELECTRO-MECHANICS  
SAMSUNG CORNING PRECISION GLASS

## Financial Services

SAMSUNG LIFE INSURANCE  
SAMSUNG FIRE & MARINE INSURANCE  
SAMSUNG CARD  
SAMSUNG SECURITIES  
SAMSUNG CAPITAL  
SAMSUNG INVESTMENT TRUST MANAGEMENT  
SAMSUNG VENTURE INVESTMENT

## Other Affiliated Companies

SAMSUNG CORPORATION  
SAMSUNG ENGINEERING  
SAMSUNG EVERLAND  
SHILLA HOTELS AND RESORTS  
CHEIL COMMUNICATIONS  
S1 CORPORATION  
SAMSUNG MEDICAL CENTER  
SAMSUNG ECONOMIC RESEARCH INSTITUTE  
SAMSUNG FOUNDATION OF CULTURE  
THE HO-AM FOUNDATION  
SAMSUNG PRESS FOUNDATION



SAMSUNG

## Chemical

**CHEIL INDUSTRIES**  
SAMSUNG TOTAL  
SAMSUNG PETROCHEMICALS  
SAMSUNG BP CHEMICALS  
SAMSUNG FINE CHEMICALS

## Machinery & Heavy Industries

SAMSUNG HEAVY INDUSTRIES  
SAMSUNG TECHWIN

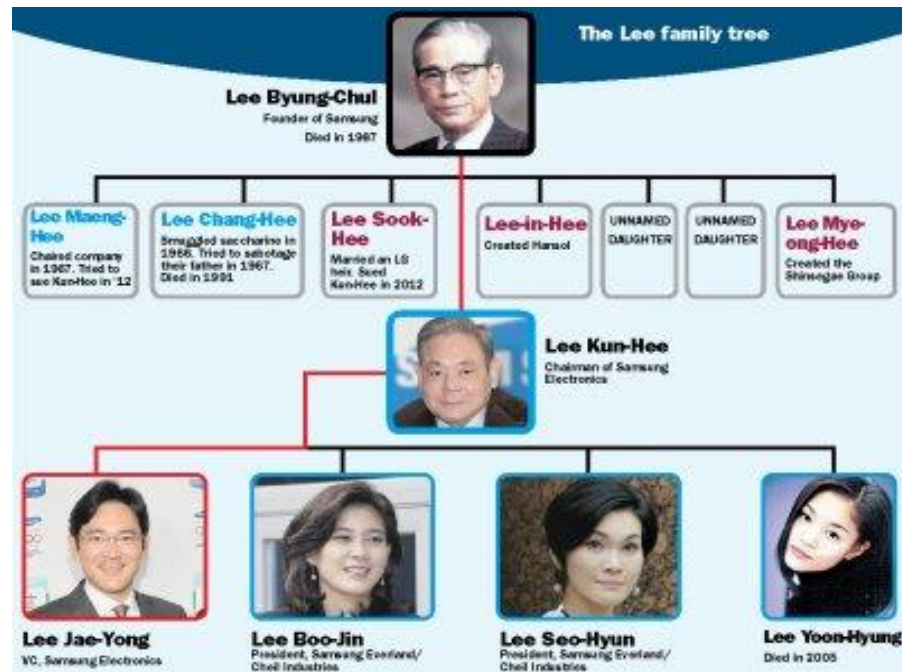


# IV. Japanese Developmental Model and its Variants

## Korean Chaebol and Japanese Zaibatsu/Keiretsu

### ■ Difference?

- Korea Chaebol does not own banks (different from Zaibatsu)
- Korean Chaebols are family-based (different from Keiretsu)



# IV. Japanese Developmental Model and its Variants

## *Korean Chaebol and Japanese Zaibatsu/Keiretsu*

### ■ Pros and Cons?

- Putting own interests before those of the nation
- Contributes to dualizing economy & exploitation
- Creates inefficiencies
- Internalize uncertainty assures steady information flow
- High trust

# IV. Japanese Developmental Model and its Variants

## And what about Taiwan?

### ■ Remember this....

Leaders of China

- Mao Zedong-
  - Leader of the Chinese Communist Party (CCP)
- Chiang Kai-shek-
  - Leader of the Chinese Nationalist Party (Kuomintang/ KMT)



## Émigré regime... KMT vs. Communist party in mainland.. Fled in 1949...

- Brought elite groups with them, e.g. soldiers, bureaucrats, technicians....
- Still it was no more than 25 percent in 1949 (now about 14 percent)....
- KMT directly controlled the key industries by nationalizing them while Taiwanese focused on small and medium enterprises...

# IV. Japanese Developmental Model and its Variants

## *Implication of Developmental State Legacies on Party Politics?*

### ■ Conventional meaning of left-right

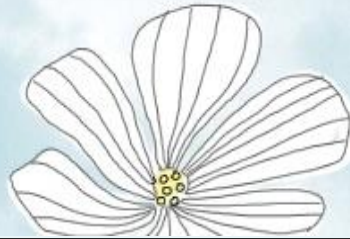
- Right (libertarianism) emphasizes **the idea of small government, and favours low tax, low deficit, privatization, or minimal welfare provision**, while left (social democratic values )emphasize the reverse.

### ■ East Asian context?

- **Legacies of post-war growth with equity** , the gap between the haves and the have-nots was narrow. This guaranteed a comparatively close social distance between social classes, which resulted in high levels of support for solidaristic values (Peng and Wong 2010)
- **Low Gini coefficients on par with the Nordic countries.** Reflecting this, at one point Japan congratulated itself for having "a society of 100 million middle class people"



# *The Japanese Developmental State Model and its Korean and Taiwanese Variants*



**Jaemin Shim**  
**(GIGA, Post-doctoral researcher)**

**The End**