

Compare China, Japan, and South Korea

The industrial organization in the case of China is different from the developmental state in Japan and South Korea. China starts its investment in heavy industrialization. China controls the money supply. This action makes the end of hyperinflation. Hyperinflation is the rise in the price of goods and services by over 50% which makes the high cost of living. From 1953-1957, the first five-year plan focused on increasing industrial development. The Soviet model has been used to make the China industry develop rapidly. This model focus on centralizing everything to the state. After the first plan, the second five years plan had used. This plan was to continue developing heavy industries and rapidly increase agricultural products, transport, water, and commerce. This increase makes a million people to die from starvation. The command economic system is what China uses. The state owns the factories and has no role in the price mechanism. The state owns and controls everything so they will not allow the price competition in the market. In China, they set the price for agricultural goods low and high for manufactured goods since they focus on doing heavy industry. The oversea Chinese is another thing that makes China so powerful. To do that, the Chinese people went abroad to other countries. Working hard and sending money back home made China gain a lot of money. The difference between Japan and South Korea to China is that both countries started in light industries.

China focuses on socialism but Japan and South Korea focus on oligopoly. In Japan, vertical integration has been used to reduce the transaction cost and increase the product. The low transaction occurs due to each section of the production line knows when the product finishes and can manage their resource. The cross shareholder has been used to share their resource with their shareholder company. Making the long-term growth and preventing the takeover. Korea has high education and a strong labor force changing the light industry to heavy industry.

