

Explain the differences in industrial organization between the case of Chinese economic policies in the socialist era (1949-1978) and the Developmental state in Japan and South Korea (1955-1990).

China

In the case of China, the centrally planned command economy was introduced during the 1950s, in which the government had complete control over price and production. While market economies were adopted by most other countries. Moreover, China was a country with a fully open market system, which implies a very low level of free market activity. I would like to divide the industrial organization of the Chinese economy into 4 different stages of time. First of all, from 1949 to 1952 was the period of land reforms, in which the nationalized private factories and the Chinese economy were being controlled politically. The second stage of the industrial organization period was between 1953-1957, which mainly focused on technology and modernization, including a higher number of factories and financial assistance. The third stage represented the second five-year plan, which was from 1958 to 1962, with approximately 30 million famines being suggested to have died from starvation due to the Chinese economy that was poorly performed and the Great Leap Forward policies implemented by chairman Mao Zedong. Nonetheless, China formed the "Commune System" in 1958-1959, which tried to focus on balancing income among cooperatives and become a multipurpose organization regarding the decision-making and dispensation of agricultural and economic policies. The last stage of industrial organization was the period of the Cultural Revolution from 1966 to 1978, the Chinese economy was being disrupted due to political instability and the confusion in economic policies, which resulted in a lower production level and slower growth of the economy. In 1970, the Chinese economy encountered stagnation, in which the Communist Party took the responsibility for economic recovery by turning its centrally planned command economy into a market-oriented economy and started to normalize the relationship with Japan and the U.S.

Japan

During the period from 1955-1950, Japan experienced economic success due to its strong and substantial economic growth. The rapid growth of the Japanese economy came from many factors, which leads Japan to experience drastic industrial growth. For example, a low cost of imported technology, such as a low-cost of imported technology, allows the country to adopt new technologies, innovation, and modernization. Nevertheless, the firm's corporate structure of "Keiretsu" was applied, in which firms across various sectors are linked together. Hence, these firms across the supply chain network established close relationships with each other with the purpose of gaining mutual benefits. The advantages of Keiretsu played an important role that led the Japanese economy to experience rapid growth and become successful. For example, firms in Keiretsu may bring out their expertise and specialization to have higher quality products and/or services at a faster pace, as well as increase efficiency. Moreover, an effective management strategy of Just-in-time (JIT) inventory system was applied due to the belief that receiving goods right on time is the perfection in every stage of production, as well as allowing firms to reduce inventory holding costs and increase inventory turnover. In terms of the competition, the price competition was influenced by weak anti-monopoly laws and long-term trading ties. The consequences of weak anti-monopoly allow firms for cooperating before monopolizing the market, thus, smaller firms are may get eliminated from the market by their bigger rivals. While the long-term trading tie allows firms to have exclusive suppliers and restructuring.

South Korea

The industrial organization of South Korea is different from China, but very similar to the case of Japan as South Korea and Japan both possess light to heavy industries and exist competition among enterprises. The ending of the Korean War in 1953 influenced the

need for economic recovery, along with an effective army. South Korea began to focus on industrialization through resource allocation and industrial policies. Moreover, the system of "Chaebol" greatly influences the industrialization of the South Korean economy. Chaebol represents the vested interest group or large industrial conglomerate operated by rich families. The power of those families does exceed the power of legal authority, hence, indicating the oligopolistic market structure. Chaebol is one of the main reasons that lead South Korea to experience rapid growth and become successful. Chaebol did account for a large portion that contributes the country to a successful economy. For example, since more than half of the export of the country was influenced by Chaebol, then, Chaebol greatly help the economy in terms of a large increase in foreign capital and become easier for the economy to transform itself into a larger economy.