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Assignment 3

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)

Before the industrial organization, China was the world's largest manufacturing. They have a high productivity of traditional agriculture. However, it all changes. In 1949, the industrial revolution took place. During this socialist era, China has a close relationship with the Soviet Union or Russia now. Moreover, China has the Soviet Union as their role model. Nevertheless, the Chinese do realize the price they were going to pay. China has a command economy where Taiwan was their legal representative. The command economy states that the states owned everything or SOE(states-owned enterprise). All the land that was private land is now owned by the states which also means that everyone is now working in a owned property and there is no landlord left. For the finances, the bank has a role to audit and monitor businesses performance, not to influence the investment decision. At the same time, the government also has their own strategy called The Big Push Development Strategy. This strategy is somewhat interesting. The strategy is basically to focus on the industrial sector more, which basically means that the majority of the government spending will be on the heavy industries: coal, oil, steel, buildings. Thus, the numbers of industrial workers will increase, while the number of workers in agriculture will decrease. Unlike Europe, there is no competition between states and firms which causes the price to be fractured, making the society imbalance. As a result, a decline in the market.

On the other hand, Japan's growth keeps increasing. Japan has a financial group(keiretsu) like Toyota, Mitsubishi, and Nissan. These are firms that have many sub-firms within. For example, Mitsubishi is in banking, automile, trading, steel, etc., and each of these sub-firms would have a stock in one another. This creates a large company in one country. However, when the US took over in around 1990, the US banned these zaibatsu and commanded that there will be no cross-sharing. Another country that is very similar to Japan is South Korea. Matter of fact, Park Chung hee(South-Korea's leader) used Japan as their role model. Park Chung Hee then created chaebol(similar to keiretsu). One example of this will be Hyundai and Samsung. Just like Japan, Hyundai and Samsung are in many economic sectors. As a result, this makes Korea catch up with Japan and many other countries. They are now a quite stable and developed country.