Dissertation Abstract

REVISITING THE EAST ASIAN MIRACLE:
LABOR REGIMES, PROFITABILITY AND CRISIS

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My dissertation project revisits the widely-acclaimed East Asian miracle from a political economy perspective focusing on class dynamics, profit regimes and crisis tendencies. After reviewing the historically comparative context of East Asian development, and the economic literature before and after the 1997 crisis, I provide an alternative analytical framework to the dominant market-oriented versus state-interventionist approaches in exploring the long-term trajectories of transformation in the East Asian regimes of capital accumulation. More specifically, my dissertation focuses on three analytical questions in the East Asian development context.

The first one is regarding the transformation of labor regimes and the evolving class dynamics underlying the economic development. Following the framework proposed by Frederic Deyo (2010) and Erik Olin Wright (2000), I examine the three-stage transition of the capital-labor relations, and I depict a curvilinear relationship between working-class strength and realized capitalist-class interests in Japan and South Korea in the post-WWII era up to 2010. I then construct an empirical model using this framework and conduct an econometric test using an autoregressive distributed lag (ADL) approach. My results show that the labor regime variables have strong explanatory power in accounting for the redistributive dynamics between capital and labor over the rapid productivity growth, which reflects the East Asian class contestation and compromise. It also suggests that higher compensation growth induces higher productivity growth, leading to higher output growth. I then discuss the transferability of this framework and historical experience to understanding China’s economic growth and the potential implications for the role of capital-labor relations in economic development.

The second question is concerned with the dynamics of profit rates and its underlying implication on the income distribution between profit and wages, which plays an important role in determining economic growth. I use the Keynesian-Kaldor framework,
and adopt the profit decomposition approach and structural break tests in time-series econometrics to identify profit regimes in the manufacturing sector of Japan and South Korea from 1980 to 2015. Contributions from three main factors – technological change, distribution and aggregate demand – are calculated and compared. My results suggest that, while technological change and aggregate demand have played important roles in driving profitability in some periods, class structure via income distribution functions as a fundamental and consistent driver of macroeconomic performance in East Asia.

Third, I analyze the crisis tendencies of the East Asian growth model and its historical impacts on labor. Applying the social structure of accumulation (SSA) theory to the three economies, I identify a significant change in the social structure of capital accumulation involving the capital-labor, labor-labor, capital-capital and government-economy relations in Japan in the mid 1970s and early 1990s, in South Korea in the early 1980s and late 1990s, and in China in the early 1990s and 2010s. Based on the evidence, I conclude that distinctive crisis tendencies have arisen from two different structures and both have presented problems for economic growth. While improving income distribution helped to counter an underconsumption crisis tendency, it is likely to induce other crisis tendencies, lending to a weakening position of labor and a speculative investment boom.

The examination of the above three analytical questions provides a basis for a re-examination of the conventional wisdom about the East Asian exceptionalism. This study of class dynamics and economic (in)stability in the East Asian society also has policy implications for developing countries in the pursuit of their economic and social agendas.