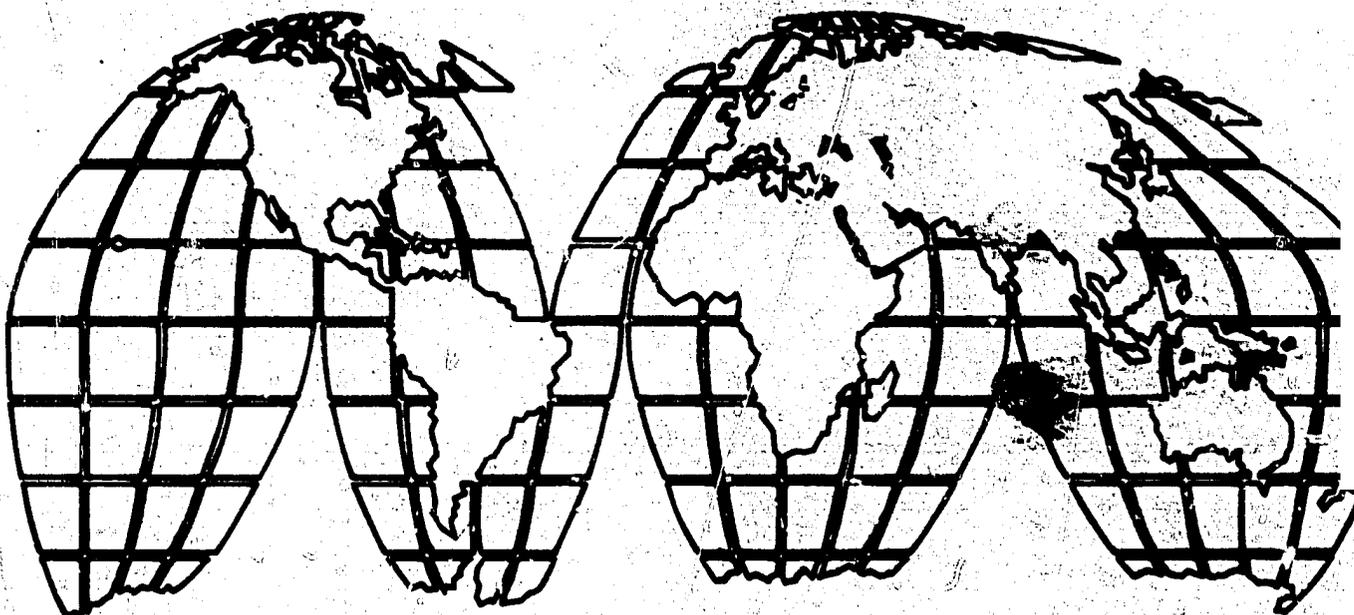


A.I.D. Evaluation Special Study No. 6

The Economic Development Of Korea: Sui Generis or Generic?



January 1982

U.S. Agency for International Development (AID)

**THE ECONOMIC DEVELOPMENT OF KOREA:
SUI GENERIS OR GENERIC?**

**Reflections on the Harvard University Press
Studies of the Modernization
of the Republic of Korea 1945-75**

A.I.D. Evaluation Special Study No. 6

by

**David I. Steinberg
Office of Evaluation**

U.S. Agency for International Development

January 1982

**The view and interpretations expressed in this report are those of the author
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PREFACE

The U.S. role in Korea's development has often been presented in glowing terms. Yet the factual base for that praise has been especially thin considering the importance of the case. It is only recently that a full analysis of Korean development has been available and that the role of U.S. assistance has been set in critical perspective. With insight and strong financial support, A.I.D.'s Bureau for Asia commissioned a major study by both the Korea Development Institute and the Harvard Institute for International Development.

To assist A.I.D. in considering that study and country development studies more generally, the Office of Evaluation requested David I. Steinberg to draw on this long and distinguished background as a Korea expert, to reflect on the study and his own experience in Korea. In this paper Mr. Steinberg does that in a lucid and graceful way which brings particular force to his conclusions.

It is a great pleasure to present this paper.



Robert J. Berg
Associate Assistant Administrator
for Evaluation

GLOSSARY

<u>chaebol</u>	<u>zaibatsu</u> , business conglomerates
<u>chonse</u>	key money, a system of rent that usually involves initial payment, by the renter to the landlord, of funds for several years rent, at the end of which those funds are returned to the renter, but in the interim are used by the landlord.
hectare (ha)	2.45 acres
<u>hyangban</u>	rural gentry, whose status is gradually reduced.
kilogram (kg)	2.2046 pounds
metric ton (MT)	2,205 tons
<u>Sae-naul Movement</u>	"New Village Movement" or "New Community Movement," a government-controlled rural development activity.
<u>yangban</u>	gentry; a class designation under the Yi Dynasty.
<u>zaibatsu</u>	business conglomerates

Exchange Rates: In June 1981 won 685 equalled U.S. \$1.00.

I. INTRODUCTION

The overall economic performance of the Republic of Korea since 1963 is widely regarded as one of the most remarkable success stories of economic growth in all the less developed nations of the world in the post-World War II period. Of all the non-petroleum exporting countries, only the other Sino-centric societies of Taiwan and Singapore have equaled her record, one that is even more remarkable because of the vast destruction in that country during the Korean War.

Some comparative perspective on this achievement is necessary. According to IBRD sources, Korea's annual growth rate averaged 6.9 percent from 1960 to 1978.^{1/} These first few years were discouraging. Even so, over the same period Burma's annual growth rate was 1.0 percent, India's 1.4 percent, Pakistan's 2.8 percent, Indonesia's 4.1 percent, and the Philippines' 2.6 percent. Industry grew in Korea annually at about 17 percent, while India's growth rate was about 5 percent, Thailand's 11 percent, and the Philippines' 7 percent. Manufacturing expansion averaged about 17.5 percent over the same period in Korea, but only 4.7 percent in India, 11 percent in Thailand and 6.8 percent in the Philippines. Exports showed similar trends.

Increasing dissatisfaction with the general pace and progress of development worldwide coincided with the spurt in Korean growth. A rethinking of development priorities evolved from the realization of growing food deficits in parts of the world, the awareness that the "Green Revolution" was benefitting the wealthier in some societies and a fear that even modest progress did not reach down to the poorer elements of the population in most nations. This reassessment found expression in the Foreign Assistance Act of 1973 that shifted the priorities and focus of AID programs. This affected the development programs and policies of other nations and the multilateral banks as well.

The "New Directions," or the "Congressional Mandate," as the 1973 Act became known, forced a reformation of development programs, placing priority on assistance to the rural poor. Related to Korea, it contained a number of anomalies. Development theory and project design as practiced by AID based on the "New Directions" stipulate that national economic growth will be far more likely if it is induced from the agricultural sector. Yet Korean growth was sparked and sustained by an intensive export-promotion drive, while the rural sector lagged far behind until the 1970s.

Development theory today calls for government decentralization and greater local level involvement and participation in development project planning, but Korea is one of the most highly centralized and least participatory societies among the non-socialist states. The Act calls for

^{1/}World Bank, World Development Statistics 1981 (Washington, D.C., 1981).

the growth of private enterprise and cooperatives, but Korea has a greater share of industry in the public sector than many societies, such as India, that have clear socialist goals; the cooperative movement in Korea is government-controlled and functions as a form of rural mass mobilization. AID legislation emphasizes the equitable distribution of goods and services, but Korea for almost 20 years paid little attention to the rural sector-- the majority of the population at that time. Making up for past neglect, for a short period Korea virtually equalized standards of living between the urban industrial and rural farm workers, if not between the urban and rural populations more broadly interpreted.

The 1973 Foreign Assistance Act stresses the importance of the role of women, but they have essentially been ignored in Korea except as low-cost light industrial labor receiving wages that clearly are discriminatory. Free labor unions are advocated, yet those in Korea are government-controlled; human rights are stressed, but they essentially have been ignored in Korea. Further, AID often designs programs as if recipient national political considerations were irrelevant or did not exist, yet such critical considerations in Korea have profoundly influenced the pace of development and the distribution of its fruits. Thus, whether nations today could emulate a Korean model with U.S. assistance is questionable.

Not only has the U.S. legislation changed since Korean growth increased in pace beginning about 1965, but the world situation has substantially altered as well. Greater protectionism, a worldwide recession, expanded export manufacturing potential in some developing nations, and a two-tiered increase in oil prices in 1973 and 1978 (raising the costs of production of industrial products and production of food through heightened energy, fertilizer, and pesticide prices) have made development policies more complex. Thus, there is a highly important contrast between the situation today and the Korean experience, and this may also modify the relevancy of what Korea has done.

These anomalies should be examined to determine their relevance to the pace and progress of Korean growth and, more broadly, for development in general. Some of the questions that might be asked of the Korean growth process include:

- Is the Korean experience sui generis or generic?
- Is current development theory as practiced by AID out of step with the experience of those few societies that have achieved self-sustained growth?
- To what extent was the massive growth in Korea a product of the "hard societies" (to use a phrase popularized by Gunnar Myrdal and used in the Harvard studies) of the Sino-centric sphere?
- To what extent did Confucianism, long considered a deterrent to development in both Korea and China but now regarded in the studies as positive in some of its aspects, a relevant factor?

- What role did the consequences of the Japanese colonial period (1910-1945), or the normalization of relations with Japan (1965) play in the process, and were they unique elements in its success?
- How fortuitous or important was the timing of Korea's export drive in terms of the world economy?
- Did AID make a significant contribution to Korean development commensurate with the magnitude of the funds provided?
- Was U.S. technical assistance realistic or useful and, if so, in what fields?
- Would the Koreans have achieved this success without the United States support?
- Who benefitted from Korean development and to what degree?
- Conversely, who paid for its growth in the early stages of economic progress?
- What role, if any, did confrontation with North Korea play in the process of South Korean growth?
- In light of the current world economy, could Korea's progress economically be replicated, and could Korea's export position today be a retarding factor on similar attempts in other countries?
- Finally, what lessons can we extract from the Korean experience to apply to present and future bilateral and multilateral programs?

The search for universally applicable solutions to the development problems of the third and fourth world nations has been a constant pursuit of international donors, both multinational and bilateral. Such solutions, if they exist, from the vantage point of the donors would not only solve developmental dilemmas, but would simplify administrative and personnel systems, foster a constant flow of development resources, and support the rather simplistic rhetoric on which donor organizations rely to raise funds from their respective governments. Thus, the quest for answers turns both to a search for national examples as well as individual project models.

There are few such generally accepted examples of successful national development, however defined. The Korean case was extraordinary, involving an increase in per capita income from \$100 to \$1500 per year over approximately a generation. It is a particularly tempting model, especially for development specialists in the United States, for without U.S. military and economic support, the Republic of Korea would not exist.

The process of Korean growth is unusually complex. There seem to be unique features of the Korean cultural and historical heritage that have both positively and negatively affected growth. The Japanese colonial experience, however painful and tragic, provided Korea with a modest base

of both trained manpower and infrastructure that was substantially different from and better than many other nations, especially those in Africa. The American military occupation produced significant changes and the Korean war had a profound effect on the lives of its citizens and on the economy. The United States' presence in Korea, both economic and military, in the decade following the war was remarkable for its pervasiveness--a far different situation than the modest contribution of U.S. economic support in almost all nations in which the foreign assistance program now operates. Until 1975, the United States provided about \$13 billion in both military and economic assistance to Korea. Aside from Israel and South Vietnam, it has been the largest U.S. foreign assistance program per capita, and for almost two decades the U.S. was the major support to that government and economy.

To chronicle this change and to learn from this experience, in 1975 AID provided \$460,000 for a joint study by Harvard University (The Harvard Institute for International Development) and the Korea Development Institute (KDI) to explore both the process of economic change and the American contribution to it. Naturally, the Koreans were more interested in the former, AID in the latter. The first seven volumes have now been published, and one more is in process.^{2/}

To acquaint staff with the studies, AID held a one-day meeting on the results of these studies on April 24, 1981. Four of the authors, Drs. Edward Mason, David Cole, and Dwight Perkins of Harvard University, and Kwang-suk Kim of the Korea Development Institute, were able to attend. To summarize the discussions of the one-day panel on Korean development would be a rapportorial task of only limited usefulness, for it would do little justice to the wealth of data in the seven published volumes and the complexity of the arguments. It would also ignore many of the questions that might be raised about these studies, and the concept of doing country studies itself. Yet much of that discussion adds to an understanding of the volumes, and some of the remarks were especially pertinent and new. They should not be lost. Similarly, simply summarizing the volumes

^{2/}A complete listing of the Harvard Studies on Korea can be found in the bibliography. Specialized studies on Korea abound and have become something of a growth industry themselves. Irma Adelman and Sherman Robinson have dealt with income distribution, Ronald Aqua with local institutions and rural development, Gilbert Brown with pricing policies, Larry Westphal with industrial policy and foreign trade, to mention a few. Perhaps the most comprehensive economic growth study is that by Paul Kuznets, and if one study were to be adopted as a graduate level text, Kuznets' work has much to recommend it. The University Press of Hawaii has now published four separate specialized collections of studies by the staff of the Korea Development Institute (KDI). Many of these studies are on similar topics to those of the Harvard-KDI works. They lack a sense of cohesiveness evident in the Harvard-KDI volumes, although they contain much useful information and cover some topics (such as health) which are essentially omitted from the series under consideration. A complete listing of these specialized studies also can be found in the bibliography.

ignores the panel discussions and leaves many questions unanswered. Thus, the author has faced a dilemma without satisfactory resolution. The result is this paper, which is an idiosyncratic mixture entitled "Reflections," representing the author's highly personal view of the studies and the panel discussions.

The purpose of this paper is to begin the process of examining the Korean experience to determine what AID has learned from Korean growth, and the lessons from that experience that might be applied to current or future AID programs and to the analysis of past efforts. To do so requires speculation on many features of Korean development that may be unique to that society, as well as on more general aspects of growth. This paper is designed simply to begin the process, not to provide answers.

This paper poses certain problems, both of organization and attribution. For example, organizationally the weaving of a panel discussion, book conclusions, and the author's views must in part be arbitrary. It can follow neither the volumes nor the panel and do justice to either. To make this paper more germane to AID staff, it is therefore divided into sections based in part on subjects that the writer feels are important to AID. Some conclusions will no doubt be controversial and have been stated in a manner to raise issues more than solve problems. It would be, of course, unfair to fault the authors for omissions of analyses of aspects of development not included in the original study when such limitations may have been imposed by AID. Yet treatment of these issues in this paper could lead to more catholic approaches to future country development studies should AID determine to undertake them.

The problem of attribution is equally complex. In spite of an effort to separate the conclusions of individual studies and panel presentations, the stress placed by the author of this paper must inevitably do injustice to the complexity of some of the arguments. Thus, the reader is urged to consult the individual volumes.

II. THE SOURCES OF KOREAN GROWTH

The Harvard team has analyzed the principle sources of economic growth under the government of Park Chung Hee. Their findings, as presented in panel discussions, beginning from those closest to the sources of production, include the following:

- Qualitative improvements in capital formation, labor productivity, land use (but not the amount of land), technology, the quality of the labor force, the increase in the average size of production units, and managerial experience;

- Policy changes that utilized the comparative advantage of Korea in terms of effective employment of a productive and literate labor force in an outward (international)-oriented setting;
- Institutional changes involving a capable government and private sector, with strong emphasis on implementation and performance; and
- The characteristics of Korean culture that include both individual and social discipline, work habits, and adaptation to change.

These general findings are detailed in the following sections of this paper, and other possible explanations, as well as caveats, are explored. It is perhaps best to begin with those aspects of Korea that are most specific to that society, thus reversing the Harvard outline, in order to provide a backdrop to the Korean development mise-en-scène. Thus, the historical and cultural factors are first explored.

III. HISTORICAL AND CULTURAL FACTORS IN KOREAN DEVELOPMENT

A. Cultural Homogeneity

Of all the countries on the continent of Asia, Korea is the most culturally and ethnically homogeneous. This point, stressed throughout the Korea Modernization Studies, is indubitably of great importance. It gave Korea a comparative advantage and helped speed the process of Korean growth. This homogeneity obviated the need to create a sense of national unity among disparate groups, and such unity was in general reinforced by the perceived threat from North Korea. In contrast with other societies, there was no necessity to redress previous patterns of discrimination against minorities if the nation were to grow relatively equitably. It allowed the country to move ahead without political or social adjustment to the vested interests of a small ethnic elite, or at the expense of culturally differentiated groups. Education was able to pervade the nation easily without the road blocks of separate languages or significantly different dialects (Cheju Island is something of an exception, and some provincial accents are quite marked).

This relative homogeneity extends beyond ethnicity to a cultural context that can be characterized as essentially secular. Religious differences do exist, but in Korean society religion is more of a peripheral, rather than a dominant, factor in social organization and life. It is a residual identification, not a primary focus for most. As the Harvard-KDI studies point out, it takes a special effort for an American to deny religious affiliation, while for a Korean it is the reverse. The syncretistic nature of Korean life, in addition, allows some to be Buddhist, Confucian, and Christian on separate occasions. Perhaps only 10 to 13 percent of the Koreans consider themselves Christian but their influence has been greater (Syngman Rhee was Protestant, Chang Myun Catholic; the influx of refugees from North Korea included a disproportionate number of Christians). There

are no stultifying conservative religious elites that could retard Korean growth or change. The Chinese, the only marginally significant ethnic minority in Korea, totaled some 25,000 in the 1960s and have been without economic or political influence. There is no Korean equivalent of the Muslim minorities of the Philippines, the Tamils of Sri Lanka, the Christian Karen of Burma, or the Muslim Malays of Southern Thailand.

In spite of these factors, the homogeneity of Korean society has been overstressed in the studies. It is significant essentially in comparative terms. Residual regional identification, however, has found expression in political, economic, and social alliances and factionalism that are still quite relevant today. Historically, the area of South Korea was divided into two of the three Korean Kingdoms (until 668 A.D.), and these in turn reflected earlier clan or ethnic loyalties. The Kingdom of Silla occupied the Kyongsang provinces in the southeast and the adjacent region to their north, while Paekche was located in the Cholla Provinces in the southwestern part of the country, and the provinces to their north along the western coast. These states, and the third, Koguryo, in what is now North Korea, were finally unified under the Great Silla Dynasty (668 to 918). The first king of the following Koryo Dynasty (919 to 1392) left a written legacy that is still quoted today. It described the popular provincial characteristics of the populations of each region. These stereotypes, whatever they lack in validity, are still important in popular conceptions.

The most significant aspect of this characterization was the disparaging comments about the peoples of Paekche (the Cholla Provinces). They have since that period continued to feel somewhat outside the mainstream of Korean upper class life. In the more contemporary period, this problem of regionalism has had political ramifications. An important center of opposition to Syngman Rhee was in the Cholla provinces, and the efforts by Rhee early in the life of the Korean Republic to push land reform through the National Assembly (with compensation only equal to one and one-half times the annual yield, and then in government bonds) was as much an effort to eliminate the economic base of power of much of his opposition as to achieve equity, destroy a North Korean political propaganda weapon, or to conform to suggestions of the Americans. These were based on the Japanese land reform model instituted by the American military occupation there. Thus Rhee succeeded, with miniscule compensation to landlords in bonds that soon became worthless, in destroying the opportunity for rural financial mobilization on the part of his opposition.

The Chollas provided the geographic base of opposition to President Park Chung Hee, much as it had done to Rhee. Kim Dae Jung, Park's opponent in the 1971 election, who was later kidnapped in Japan by the Korean CIA and jailed thereafter, was from South Cholla. His arrest and incarceration was one of the causes for the 1980 uprising, the bloody massacre in Kwangju, the capital of South Cholla Province. Thus the Chollas are also a source of concern to the present Chun Doo-whan government.

With political opposition came economic discrimination. Although the study has succeeded in destroying the myth of the overrepresentation of

the Kyongsang provinces in the higher levels of the economic elite (at the mid-levels their status is less clear), none of the volumes adequately deals with the problem of provincial emphasis in economic development infrastructure.^{3/} The Kyongsang provinces have been clearly favored, in part because of their natural endowment of port facilities (Pusan, Pohang, Masan, etc.). The industrial development of such cities as Taegu, Pohang (steel), Ulsan (oil refinery), and Masan (export production enclave), are in striking contrast to the Chollas. This is evident to even the casual observer, and the volumes only marginally mention the absence of balanced economic investment in the Chollas in such fields as highway construction.^{4/} It is significant that President Park came from North Kyongsang, that the coterie of high ranking military officers surrounding President Chun Doo-whan, and President Chun himself, are also from the Kyongsang area (Taegu). A quiet joke in Seoul is that the Greater Silla Dynasty has been revived.

B. The Role of Confucianism

If cultural homogeneity has been an overall plus for Korea, especially in comparison with other developing societies around the world, the role of the Confucian tradition in that culture in instilling developmental values is one that is new, only with the publication of these volumes, undergoing reinterpretation.^{5/} Confucianism has generally been regarded as backward-, rather than forward-looking. Its stress on the mythic golden age of the past has supposedly by its nature turned the populace against views of a progressively better future. Its emphasis on traditional learning, and especially on moral values, has undercut acceptance of more technologically oriented education. It regarded commerce and entrepreneurship as low on the scale of accepted occupations. Its highly competitive examination system, incorporated into the Korean state structure at the end of the Fourteenth Century and placing emphasis on the culturally "superior man" was, it was felt, inimicable to modernization. The hierarchical relationships fostered first in the family, and its stress on the primacy of this elemental social unit, and then extended up the hierarchical ladder to the sovereign, negated progress towards egalitarianism and democracy. It limited non-familial and non-clan relationships. Thus, it was argued, Confucianism retarded the sense of social cohesion beyond strictly parochial interests, was undemocratic, and had an uneconomic focus.

^{3/} Leroy P. Jones and Il SaKong, Government Business and Entrepreneurship in Economic Development: The Korean Case (Cambridge: Harvard University Press, 1980), pp. 212-213.

^{4/} Edward S. Mason, et al., The Economic and Social Modernization of the Republic of Korea (Cambridge: Harvard University Press), p. 423.

^{5/} Jones and SaKong, Government Business and Entrepreneurship in Economic Development: The Korean Case, p. 303.

All of these elements are still in place. Indeed, the stress on the moral qualities of loyalty (especially to the state) and filial piety, so evident everywhere in Korea and literally encribed in stone in many villages, is part of the Sae-Maul (New Village or New Community) Movement, the personal rural development program of President Park, and the Sae-Maum (New Heart or New Mind) Movement, a byproduct of that effort. The latter, especially with its strong Confucian overtones, seems similar to the ill-fated and ephemeral New Life Movement that was officially sponsored by Chiang Kai-shek in Nationalist China in the 1930's.

In a sense, the Confucian system is alive and well and living in Korea, although its depth both by geographic focus and class structure needs further study. As the Harvard-KDI study states, the ideal image of society and of the role of education in Korea is "almost identical to those advocated by the Confucian system several hundred years ago."^{6/} It has been, however, this strong emphasis on moral education and discipline, including self-discipline, that has been a positive attribute of the Korean educational system.^{7/} The Harvard-KDI study argues that perhaps it is the non-theistic emphasis of Confucianism that was an important factor in the growth of a business elite.^{8/} The contemporary Korean state, as have all traditional governments under Chinese influence, used the Confucian ideology to support the continuity of its regime. Overall, the Confucian ethic may have been an important factor in Korean growth. The Harvard reinterpretation is a welcome addition to the study of the causes of growth in East Asia.

C. Social Class

Of perhaps greatest importance, and of most controversy, is the role of social class in Korea. It is a subject about which dispute continues and it is also a critical question in development terms. If equity is a major consideration, then the breakdown of a highly stratified society opens avenues leading to mobility, increased income, and pluralistic centers of power. Conversely, without such change, development will assist only the elite. Traditionally, social class was more clearly differentiated in Korea than in the model Confucian state, China. Only yangban (upper-class, or gentry) were allowed to take the state examinations that were the avenue to government positions, and thus perpetuation of their family status. Some have argued that there was a demand for and actual social mobility in traditional Korea.^{9/} This has been the subject of considerable dispute. In

^{6/}Noel F. McGinn et al., Education and Development in Korea (Cambridge: Harvard University Press, 1980), p. 210.

^{7/}Ibid., p. 228.

^{8/}Jones and SaKong, Government Business and Entrepreneurship in Economic Development: The Korean Case, p. 303.

^{9/}See, for example, Gregory Henderson, Korea: Politics of the Vortex (Cambridge: Harvard University Press, 1968).

a sense, the Harvard series validates half of the argument: the demand for mobility (through education, economic improvement, etc.) is in evidence, but the results of such demands are questionable, at least at the social pinnacle of society. There is one major exception to restricted mobility at the top: the military.

The central issues are: how mobile is Korean society today and has the society as a whole had equitable access to the benefits of development? To answer this, it is necessary to explore what happened to the Korean class system with the fall of the monarchy and the advent of Japanese colonial rule. The modernization studies make the point that "the traditional system of social class was all but destroyed in the upheavals created by foreign military occupation, war, and national partition."^{10/} However, there are serious internal discrepancies in the studies at this point. Other portions of the volumes indicate continuity of class at the top of the social ladder.

The entrepreneurial study notes that the entrepreneurial class is "in the main composed of descendents of former elite groups."^{11/} Without data on class, the survey on entrepreneurship uses surrogate data (parental occupation and education) to determine class structure.^{12/} The study found that among entrepreneurs, mobility was minimal. The fathers of entrepreneurs were generally (98 percent, compared to 15 percent of their male cohort) large landowners, merchants, factory owners, civil servants, teachers, and professionals, and thus "the industrial elite were recruited from the pre-industrial elite rather than from the society as a whole."^{13/} They, however, did not necessarily come from the yangban class, but from the hyangban class (the rural, more impoverished, gentry), a group whose high status gradually deteriorated over time but who were still wealthy enough to retain access to education, but insecure enough to take risks.^{14/} Thus, the volume continues, the causal sequence in the formation of entrepreneurs (the industrial and mercantile elite) was not a capitalist equation: money, leading to physical capital, resulting in industrial leadership. Rather it was a "Confucian-cum-capitalist" equation: money, leading to good education through access to schools (and a tutorial system heightening the chances of academic success), sufficient time to take advantage of education, in turn leading to human capital, thus resulting in industrial leadership.^{15/}

^{10/} Mason et al., The Economic and Social Modernization of the Republic of Korea, p. 361.

^{11/} Jones and SaKong, Government Business and Entrepreneurship in Economic Development: The Korean Case, p. xxxii.

^{12/} Ibid., pp. 210-211.

^{13/} Ibid., p. 228.

^{14/} Ibid., p. 238.

^{15/} Ibid., p. 255.

This writer would argue that social class at the apex in large part has remained intact, with certain exceptions noted below. The Japanese occupation legally and overtly ended class designations, but in a sense the Japanese reinforced some of the power of the yangban: "The Japanese attempted to win the cooperation of the Korean noble class by providing legal guarantees for the traditional tenant system."^{16/} Class distinctions continued, some of the former elite (yangban and hyangban) eventually occupying positions of either technical or administrative consequence (but not at the top) under the Japanese. The stream of northerners who fled south after 1945 were a self-selected group of generally higher status than the population as a whole. Overall, they were well educated and contained a larger than normal percentage of Christians. Thus, the partition and the war did not so much destroy traditional classes, but dislocate them.

The continuity of the elites may also be traced obliquely in part to the land reform program and to a disadvantaged rural sector. If one had social standing and some money, where did one invest it? Rural real estate was a poor choice. Low rice prices from liberation to about 1970--prices so low that they were below the costs of production during many years--together with land reform that limited agricultural holdings to three hectares, made capital investments in rural areas singularly unattractive. The obverse incentive was found in the Confucian equation. That is, some capital plus the high status accruing to education and then to foreign graduate degrees led to investment in modern education for one's children. A corollary investment, lucrative but economically unproductive, was speculation in urban real estate until about 1970. Land values, due to scarcity, were twice those of the U.S., but Japanese values were twice those of Korea.^{17/} These two avenues enabled the literati to perpetuate itself and generally foreclosed access to the top rungs of academia, government, the professions, and business to most from the lower socioeconomic classes. This is not to say that economic growth did not open new employment in the business sector and provide some mobility from blue to white collar worker. This it obviously did, and such upward aspirations seem widespread in both urban and rural areas. However, economic growth has not opened access at the top of the business pyramid, at least not yet.

There was, however, an important exception to the static class structure among the elite. The real revolution that occurred in Korea was not the political coup by the military in 1961, but what might be called a social coup, a result of the military one, that pushed the military into high positions in many administrative and economic functions of the society. Thus, for the first time there was social mobility in Korean society through the military channel. A career in the military offered a free, good college

^{16/} Kwang Suk Kim and Michael Roemer, The Developmental Role of the Foreign Sector and Aid, Growth and Structural Transformation (Cambridge: Harvard University Press, 1979), p. 3.

^{17/} Edwin S. Mills and Byung-Nak Song, Urbanization and Urban Problems (Cambridge: Harvard University Press, 1979), p. 103.

education, and on graduation a chance for leadership in both the military, and on retirement, in the private or civilian governmental sector. Unfortunately, this aspect of Korean social change is not documented in the study. Contrary to the conclusions of parts of the Harvard study, class structure in Korea has remained relatively intact. It is evident in educational attainment, although there have been attempts to break this down by forbidding tutoring (1980) and changing the examination system. Socially, however, it remains very much in evidence. As the social network of classmates and friends in Korean and Japanese societies is a critical element in access and advancement, and is thus an important determinant in social and business success, the system is self-perpetuating.^{18/} Other relationships based on class in school are also important among the military, as witness the eighth Korea Military Academy class (coup leaders under Park Chung Hee), and the eleventh and fifteenth classes (the group around Chun Doo-whan). In fact, there are important cliques among those who pass the civil service examination in any one year. As the studies document, "there is still considerable discrimination on socioeconomic grounds in the higher reaches of the Korean educational system,"^{19/} in spite of a meritocracy of university entrance and initial employment in business and government through examination systems that seem honest and impartial. It seems that those who can succeed through this tortuous system are those that are best prepared, and those who are so prepared are so because of their access to funds.

The implications of this phenomenon for development, therefore, include the possibility that rapid and sustained economic growth, even combined with more equitable income distribution, does not necessarily open society to significant social and economic mobility at the top in spite of a general rise in the standard of living. Egalitarianism as a developmental goal is most difficult to achieve. At least this is true in a society such as Korea with a significantly stratified social structure that has appeared to withstand the perils of colonial occupation, war, physical displacement, and remarkable economic growth.

D. Contemporary International Relations

Internationally, Korea faced a series of challenges which, if not unique, were relatively rare and may have influenced its dedication to economic growth and its performance as well. The first of these was the existence of a rival regime in North Korea, a regime that vied with the South for dominance and legitimacy over the entire peninsula.

^{18/} Jones and Sakong, Government Business and Entrepreneurship in Economic Development: The Korean Case, p. 235-236.

^{19/} McGinn et al., Education and Development in Korea, p. 159.

There seems little question that indirectly the North has strongly influenced the South. Such influence is obvious in military preparedness, but it is equally evident in the ubiquitous systems of mass mobilization in all fields, pervading the society. It has had an overwhelming influence in education and has been the cause, at least in public explanations, of the coups of May 1961 and December 1979. It strongly influenced the land reform program as well. In addition, this influence is likely an important spur, if not the primary motivation (see Section XII, G: The Priority of Economic Policy and Legitimacy), of the economic growth policy. The need for economic ascendancy over North Korea, where at least for certain periods growth rates seemed quite high, was probably an important factor in Korean performance. Unfortunately, this aspect of Korean development was essentially untreated in the Harvard volumes. Fear of North Korean ideological, political, and military infiltration has often been used in South Korea as justification for continued limitations on political and social freedoms. This factor should not inhibit analysis of the role, overt or inchoate, of political and economic competition with the North. Indeed, it gives it added credibility.

The role of Japan after normalization of relations in 1965 is not stressed, although the colonial period is treated in more detail in the studies. Normalization brought in significant funds at a time when U.S. assistance was dropping. Of equal significance, it enabled older Koreans to deal with the Japanese in a common language, as Koreans were forced to study in Japanese until 1945, and with a culture about which they may have worried, but which they felt they knew. This gave the Koreans an outward focus with which they were relatively comfortable. This was not the primary cause of Koreans export success, but it certainly was an advantage.

Less long, but still significant, relationships with the United States since 1945 was another, more culturally disparate, but still useful association that Korea used to its export advantage. In addition, at the same time the expansion of the world economy during the height of Korea's export performance allowed extensive flexibility in export diversification. It is unlikely that these factors today can be easily replicated elsewhere.

IV. RURAL DEVELOPMENT

Korean rural development and the rise in agricultural productivity was not a product of spontaneous phoenix-like growth following either the departure of the Japanese or the destruction of the Korean war. It owed a great deal to a concerted effort by the Japanese to use the Korean colony for its own purposes. This included, during the earlier period of colonization, Japanese confiscation of all crown land and the transfer of ownership to Japanese. Approximately 40 percent of agricultural land was in their hands. Later, as the Sino-Japanese war continued and further Japanese territorial ambitions were planned, Korea was used as the base

to provide rice to a grain-deficit Japan. Rice exports averaged 1.2 million tons annually between 1935 and 1939.^{20/}

As a result of this policy, considerable Japanese investment was made in irrigation and in research to breed new higher-yielding cold-resistant rice strains, and chemical fertilizers were also introduced. The policy from a Japanese viewpoint was quite successful, but this rice export drive reduced Korean per capita polished rice consumption from 111.5 kg to 80.2 kg over the period 1912-1944, while it was 157 kg in Japan.^{21/} The Japanese also developed a widespread agricultural extension service that was viewed by Korean farmers as part of the Japanese coercive administrative machinery. It was quickly abolished after liberation, basically disappeared, and had to be rebuilt following the Korean war.^{22/} Thus the heritage of Japanese development of rural South Korea was a sophisticated, if traditional, agricultural system.

At the same time that agriculture was exploited in Korea, a large-scale power and heavy industry base was developed in the North. The Korean economy became an integral part of the Japanese economy, the rural and industrial needs of Japan, however, were not necessarily integrated within Korea. Thus, the argument that during the colonial period industry pushed agriculture, or the reverse, cannot be maintained. They were independent products of external forces.

Based on a misconception of the nature of Korean rice exports and the neglect of the drop in rice consumption among the Koreans, the American military embarked on a two-fold program to assist Korean rural development: land reform and the provision of the largest applications of chemical fertilizer in Korean history--one-half million metric tons (MT) before mid-1948.^{23/} Based on the perceived potential for agricultural development and the lack of heavy industry in the South, after the end of the Korean war, two U.S. technical assistance groups (the Tascia Mission and the Robert Nathan team) were predicating Korean economic growth in large part on rice and agricultural products exports.^{24/} These plans proved to be overly optimistic.

^{20/} Sung Hwan Ban, Pal Yong Moon, and Dwight H. Perkins, Rural Development (Cambridge: Harvard University Press, 1980), p. 28.

^{21/} Kim, K. S. and Roemer, Growth and Structural Transformation, p. 20.

^{22/} Mason et al., The Economic and Social Modernization of the Republic of Korea, p. 228.

^{23/} Ibid, p. 168.

^{24/} Ibid, p. 179.

A. Land Reform

Land reform, which evolved in two stages, was critical both for Korean development and for increased equity in Korea's rural sector. The first stage, the U.S. military confiscation of Japanese-held land and the resumption of Korean ownership, was based on the American military model in Japan. Coupled with the second reform carried out under the Republic, one that limited holdings to approximately three hectares (ha), the rural base of the elite yangban and hyangban classes were destroyed, although there is no doubt that some were able to salvage more extensive ownership by illegal registration of land under a variety of family members' names. However, there can be no question that an eminently successful program was carried out.

Tenancy, which was 42.1 percent in 1947, dropped to 5.2 percent in 1964, while ownership, a meager 16.5 percent in 1947, rose to 71.6 percent the latter year.^{25/} Land reform not only leveled rural incomes in Korea, but effectively redistributed wealth in the rural sector as well. Landlords were paid in bonds (only one and one-half times the annual production) that soon lost value through inflation. If income is more equally distributed today in Korea than in many developing societies, the primary reason is to be found in these land reforms. Reasonably equitable distribution of the rural sector's most important asset, land, seems to be absolutely essential in obtaining equity in rural development.

B. Agricultural Pricing Policies and PL 480

While a positive land reform program resulted in relative distributive justice within rural areas (if not between the urban and rural sectors), for approximately two decades thereafter the agricultural economy was largely neglected except as a source of political mobilization. Farmer welfare and income were ignored. This was a policy to which the U.S. aid program inadvertently contributed.

Any government may be caught between the conflicting demands of the urban dwellers for low staple prices, and the rural productive population who want prices of their products to rise. For two decades the Korean government chose to placate a volatile urban population through the purchase of two staples, rice and barley, and the import of wheat. In Korea, the degree to which the government intervened in the grain market was important, for it influenced both producer and consumer prices through control of a relatively small proportion of the trade. Equally salient was the government's purchase price of rice from farmers. In 1949, to pick an extreme case, the government purchase price was 40 percent of production costs, and about 20 percent of the market price. The farmer was thus locked into a subsistence economy in which it was not worthwhile to produce much of a surplus. Expressed differently, the government felt that threats to its continuity were more dire among the urban population, which was placated by relatively low costs of the staple food.

^{25/} Ibid, p. 238.

This pauperization of the Korean peasantry continued throughout the Rhee period (1948-60). In no year did the government purchase price for rice equal the cost of production, and in six of the thirteen years the purchase price was under 50 percent of the market price. In 1959, for example, the farmer lost 571 won per 80 kg bag of rice, or a total loss to all farmers that year of 1.7 billion won. In effect, the Korean farmers and the United States through its foreign assistance programs subsidized the import-substitution industrial strategy of the Rhee government.

In 1955, the U.S. began its PL 480 program, under which agricultural commodities were imported into Korea to alleviate grain deficits and to generate local currency to run the Korean government. From 1955 to 1971, total PL 480 imports were \$646 million, of which half were grain (rice and wheat). Under PL 480, an average of 9 percent of the annual domestic grain production was imported for the 1956-60 period, and PL 480 ranged from 64 to 93 percent of such imports.

For about the first decade of the Park government, little was done to improve the status of the farmers, although the Ministry of Agriculture and Forestry was reorganized and the autonomous Office of Rural Development set up in 1962 under that ministry with U.S. support and encouragement. PL 480 continued during that period, with grain imports under that program ranging from a low of 5.9 percent of total grain imports (1971) to a high of 85.8 percent (1962). Although the purchase price of rice covered production costs, the margin was small until 1971.

Two objective factors, in addition to President Park's own rural background, prompted the pragmatic military government to shift its rural policies. By 1970-71, legislation hardened the terms of the supply of PL 480 commodities, changing them into dollar repayable loans. Grain imports thus became a drain on foreign exchange, which was growing as exports expanded. The critical element, however, was the election of 1971, which prompted massive overhaul of the government's rural strategy. In no case in Korea was a political factor more important, or more obvious, in influencing development policy change. President Park barely beat his opponent, Kim Dae-chung, and the government found that its support in rural areas had materially eroded. It had been quite secure because of the state's control of rural credit and fertilizer in addition to the pervasive coercive power of the central government. It was at this point that the government intervened and transformed its rural strategy. Where in the past the farmers had in large part subsidized the urban population by the low government rice purchase price, the government turned to an increase in the money supply to finance the increase in the purchase price of rice, thus markedly increasing rural incomes. By the end of the 1970s the farmers had a government rice support price that was over two times the world market price.

C. The Sae-maul Movement

The New Community Movement (Sae-maul Undong, literally, new village movement) was an attempt begun in 1971-72 to improve the lot of the farmer

after the 1971 election. In the first decade after the formation of the military government in 1961, an urban-based industrialization and export policy had been fostered with a rapid decline in rural living standards relative to those in urban Korea. The Sae-maul Movement was born of a political desire to generate rural support for the regime. It coincided with an excess of cement production in 1971. This felicitous combination resulted in 300 bags of cement to each village in the country for community projects. Because of presidential interest, the movement has been characterized by great vigor and bureaucratic élan. Attention has been concentrated on activities similar to those associated with the community development efforts, supported by AID, in the 1950s. With new central backing, however, it has had a marked impact in contrast to previous attempts at rural transformation. It has achieved these results not without a substantial, and required, investment of farmer labor, time, and money, with returns to individual farmers sometimes delayed well into the future. However, as has been noted, "There is no doubt that the NCM (New Community Movement) has speeded up the pace of social and economic change in rural areas."^{26/}

The Sae-maul Movement has been ubiquitous, reaching every section of the country.^{27/} Government sponsored, it has generated an enormous amount of self-help, both in terms of voluntary labor and in donated funds. The distinction, however, in rural Korea (with the Ministry of Home Affairs controlling the police, administration, and the Sae-maul Movement) between voluntary and corvée labor, and donations and extortion is unclear. If physical coercion was not used, then a heterogeneous combination of peer pressure, shame, self-interest, and subtle control over access to farm commodities and credit probably was.

During 1978 alone, 36,000 villages had some form of Sae-maul activity. A total of 634 billion won used from private and public sources, and 271 million person-days of labor was "voluntarily" donated. From 1971-78, 2,000 billion won were invested for Sae-maul projects, of which only 22 percent was government generated.

Project emphasis has shifted over time. Cement was provided for roads and bridges. Tin was available for roofing, replacing thatch, a change of marginal economic utility but one that the government hoped would make farmers feel more modern, and make the populace believe Korea was progressing. Since 1975, activities have focused on raising farm household income and more recently on rural housing. Whole villages in some cases have rebuilt their houses in new, modern design, but with remarkably few real improvements. The only change in the kitchen, for example, is often that it includes a water tap, instead of its location within the compound.

^{26/} Ban et al., Rural Development, p. 278.

^{27/} For discussion of the Sae-maul Movement in AID reports, see AID Impact Evaluation Report #12 Korea Irrigation, 1980, and Impact Evaluation Report Korean Agricultural Research, 1981.

Often one can see a modern facade masking a traditional home, indicating that the government quota of housing improvements was met, at least on paper. Standard blueprints are provided by the Ministry of Home Affairs, with a 25-year loan at low interest with a five-year grace period. We can only hope that rural Korea may have gained somewhat in comfort what it has lost in tradition and aesthetics.

The Sae-maul Movement has also fostered the growth of industry in rural areas. From 1973-77, about 500 Sae-maul factories were operating, although about 40 percent have been underutilized. These factories employed about 151,000 person-years of labor, and exported \$438 million in goods--about 2 percent of total exports during that period. A total of 850,000 rural people have been trained in some sort of vocational skill under the movement. Sae-maul factories, located in rural areas where they are sensitive to increased transport costs, may not be able to withstand even a modest recession. The program unfortunately did not often draw upon locally available raw materials, and was dependent on the availability of rural labor. It was a part of the export promotion strategy and also an attempt to fulfill a political objective (rural employment) as well as contribute to overall growth. It suffered, however, from emphasis on the political imperative while neglecting the economics of such rural enterprises.

Fifteen years ago Korea had few paved rural roads. Even most major highways were enshrouded in clouds of dust. Now a network of paved roads criss-crosses rural areas, and bus traffic and truck services have been extended into the rural hinterland. Goods of all descriptions are in rural market towns. People are better dressed; bicycles take boys (not many girls--for there is clear discrimination here) to middle and high schools where in the past, if they went at all, they had to walk.

Such changes illustrate that Korean farmers are perhaps unique among the rural population of developing nations--their incomes equal those of the urban industrial work force, if not the urban population as a whole. This is a far cry from the spring months of hardship, when winter stocks were depleted and crops were not yet in, that farmers experienced not too many years ago. Yet these remarkable developments have taken place in a controlled atmosphere substantially different from the participatory one popularized in textbooks on rural development.

That atmosphere is a product of a bureaucratic milieu that pervades Korean development efforts in rural areas. It is strongly hierarchical in nature, consciously drawing on the Confucian virtues of paternalism and respect for authority, and espousing ideological conformity. On the surface it is a configuration that seems little suited to the ethos of rural development as a participatory experience. It has been heavy-handed and autocratic. Yet without question, change has taken place, and although farmers may grumble and treat mobilization efforts with considerable skepticism, they are quick to articulate the overall benefits they have received.

There has been a marked change in Korean agricultural production. Low-cost staples such as barley have given way to increased cash crops such as fruits and winter vegetables for which there is a major urban demand. This could not have been accomplished without a vastly improved rural transportation system that allows the efficient and cost-effective marketing of these new crops. This has been a major contribution to the rural transformation that is well documented in the modernization studies.

Even before 1971, Korean agricultural growth was a respectable 3-4 percent per year, compared to growth in China and India of approximately 1.5-2.5 percent. The Korean farmers are now perhaps the most productive in the world (a poor, cold growing season in the summer of 1980 has perhaps temporarily modified these figures). Obviously, the strategy pursued by the government is one that could be questioned from a solely economic viewpoint, for Korea could import more than two times the amount of rice it grows at the same cost. It has followed a heavy subsidization policy, along Japanese lines, with two apparent objectives in mind:

-- a national security goal: to be self-sufficient in the primary staple of the Korean diet; and

-- a political goal: to mobilize rural support.

It has been relatively successful in both.

V. TRADE, EXPORTS, FINANCE AND THE INDUSTRIAL SECTOR

A. An Overview of the Sector

Exports in Korea were only about 2 percent of GNP in 1960 (about \$40 million), but by 1975 they had risen to 28 percent of a vastly expanded GNP. This export performance is unmatched by any other country in the world.^{28/} The causes of this growth are highly important for the study of development. Yet this short paper can only cover the more general, less technical, aspects of this question. The story is interwoven through all the volumes in the Korea series.

An essential feature of the economic policies of the Rhee period was a development strategy based on import substitution. Rhee was not particularly opposed to exports, but there was an effective bias of the government against adjustment of the exchange rate, causing a debate in which there were bitter recriminations between the Koreans and their American advisors. This was also reflected in the implicit premiums on domestic production of import substitutes.^{29/} Because exports were miniscule, foreign exchange

^{28/} Anne O. Krueger, The Developmental Role of the Foreign Sector and Aid (Cambridge: Harvard University Press, 1979), p. 2.

^{29/} Ibid, p. 47.

was generated basically from foreign support and commodity assistance. Thus, by supplying assistance in large amounts, the United States inadvertently worked against its own efforts to improve the supply of domestically generated foreign exchange. Seventy percent of imports were provided by foreign grants.^{30/} There was also little effort to generate domestic savings.^{31/} During the Rhee period, in spite of an average 4 percent growth in GNP annually after the Korean War, there were few incentives for productive investment, when quicker, safer, and more lucrative profits could be made by manipulation of the exchange rates together with the import of commodities and local sales.

The 1960-65 transition to export promotion is sweepingly characterized: "The Korean policy switch is perhaps the most dramatic and vivid change that has come about in any developing country since World War II."^{32/} The incentives for this successful policy were the important adjustment of the exchange rate to a realistic level, tariff exemptions on raw materials for production, preferential export credits, and wastage allowances that enabled exporters to supply a limited amount of goods to the local market at high prices. Other equally important incentives were links between importing and export performance: those who reached or exceeded export targets were given permission to import. There were also accelerated depreciation allowances, tariff exemptions for intermediate goods for export and a farflung overseas marketing network. This was combined with preferential credit for good performers. The result was a growth of exports from \$25 million in the 1950s (much of it sold to the U.S. military in Korea) to \$12.7 billion in 1978 and \$17 billion in 1980. Exports grew at a rate of 40 percent annually from 1962 to 1978 in current prices, and 30 percent annually in real terms. The composition of exports also changed: from exclusively primary products to a present 90 percent in manufactured goods.

Manufacturing grew more rapidly than GNP: 11 percent annually in the 1950s and 18 percent since 1962. Manufacturing's share of the GNP in the 1950s was 14 percent, but about 27 percent after 1962. It is important to remember that Korean growth was a product not only of the policies it fostered, but the policies it avoided, such as minimum wages and other measures increasing labor costs.^{33/} Thus in terms of equity, the urban work force paid for the export expansion of the economy.

Outside the time scope of these studies, but quite relevant to Korea's future, are statistics on more recent developments. The growth in GNP in 1978 was 12 percent, but because of the oil crisis, it dropped to 6.4 per-

^{30/} Kim, K. S. and Roemer, Growth and Structural Transformation, p. 42.

^{31/} Ibid, p. 80.

^{32/} Krueger, The Developmental Role of the Foreign Sector and Aid, p. 82.

^{33/} Kim, K. S. and Roemer, Growth and Structural Transformation, p. 162.

cent in 1979. However, 1980 was a disastrous year for Korea; GNP declined by 5.7 percent, the highest negative rate since the Korean War. This was caused by a variety of factors, the most important of which was a decline of 24 percent in the agricultural sector because of a cool summer and disease that devastated the rice crop. The decline of the non-agricultural sector in that year was only 2 percent and was due to objective factors such as the oil crisis and the worldwide recession. As a result, growth in Taiwan and Singapore slowed as well, but not as severely as in Korea. Political tension in Korea and too great an emphasis on high growth without sufficient attention to stabilization, with resulting inflation, reduced Korean competitiveness on the world market. In 1981, however, a recovery is expected with a more modest than usual growth rate of 6 percent of GNP.

Until 1978, Korean wages grew faster than inflation, and Korea in the future will be hard pressed to compete with lower-priced, technologically oriented exports from Taiwan, Singapore, and other countries. It is likely that Korea will become more competitive with the developed countries of the West and with Japan as it moves into higher technology. There is little data in the studies on the question of the degree to which Korean growth was dependent on higher technology. This is likely to be an issue in the future, however.

The financial sector analysis is fraught with problems because of the existence of two financial markets, the visible and the invisible. On the latter, one can only surmise as to its extent, although it evidently has been very important. The Harvard team regards four facts as important in any analysis of Korea's financial sector:

- Korea traditionally had a much less developed financial sector than any other Sinitic society. In fact, the first proto-modern banking systems were only introduced in the Nineteenth Century before Japanese conquest by some of the Korean yangban as a nationalistic move to prevent Japanese domination of the sector.^{34/}
- The modern banking system is completely dominated by the government, which thus has a powerful weapon with which to force compliance by Korean business to governmental directives and production and export targets. Under Park, official credit was underpriced, and since businesses prospered with very little of their own money, they were very vulnerable to government control. Thus, advantageous credit was "by far the most important single instrument of government microeconomic control."^{35/}
- There was a very dynamic, but unregistered and unregulated, money market that played an unseen, but important role in finance and business.

^{34/} Jones and SaKong, Government Business and Entrepreneurship in Economic Development: The Korean Case, pp. 20-21.

^{35/} Ibid, p. 99.

- Foreign financial institutions played an important role, as did foreign aid and loans, public and private. Access to these resources was also controlled by the government.

There was a major shift in time from reliance on foreign grants (foreign loans did not begin until 1969) to greater dependence on domestic savings. The shift began in the mid-1960s with a great movement upward in interest rates on time deposits. This was so strong that it may have resulted in some foreign funds finding their way into local time deposits. In any case, the result was an increase in domestic savings from 10 to 30 percent of GNP over a five-year period.

To mobilize credit, as well as to limit the monopoly power of the large corporations, the government forced many industries to go public, thus breaking the power of business whenever it seemed it might pose an obstacle to government policy, and thereby diluting the political strength of this sector.

The lessons that the Harvard team draws from the above analysis of the financial sector are as follows:

- be skeptical of official figures that neglect the invisible money market;
- any attempt to regulate this market will fail, for such markets meet definite needs; and
- more effective measures would be to make the unofficial market less risky and make regulated financial institutions more competitive.

B. "Korea, Inc."

In Asian circles, there has long been a feeling that the Japanese export drive was accompanied by a high degree of government cooperation, with a combined and concerted effort that came to be known as "Japan, Inc." By extension, the Koreans have been accused of similar policies, thus the charge that there is a "Korea, Inc." as well.

Yet there are major differences between the two. Japan is a more consensual society, and business and government have been able to cooperate in terms of virtual equality. In Korea, however, it is the government that is the leader. "If there is a 'Korea, Inc.,' as there is alleged to be a 'Japan, Inc.,' it is the government that is the Chairman of the Board of the corporation."^{36/} The Korean government influence and control has reached far down into individual companies; the state does not just

^{36/} Jones and SaKong, Government Business and Entrepreneurship in Economic Development: The Korean Case, p. xxix.

regulate the sector. It has done so through financial mechanisms such as control of credit, and equally important, through its authoritarian capacity to intervene. As the study on entrepreneurship noted, "The 'Korean miracle' is not a triumph of laissez-faire, but of a pragmatic non-ideological mixture of market and non-market forces."^{37/} This ability to intervene in credit, and in internal operation of a company, and to blacklist an individual or firm, has prevented the business sector from accumulating political power. Indeed, there is a statewide aggregate effort toward a national goal such as exporting, and "Korea, Inc." is more aptly named than "Japan, Inc."

VI. BUSINESS AND GOVERNMENT

The role of government in encouraging and regulating business in Korea is far greater than in many societies that are regarded as capitalist. Korea, Inc. is government dominated, with all commercial banks owned by the state, and thus credit and loan applications and foreign business relationships are approved by government. Government intervention reaches further down into the economy than in many comparable developing societies. In addition, the public sector, which is about 12 percent of non-agricultural GNP, accounts for about 30 percent of investment.

The government interventions during the Park period have been marked by executive (not legislative) leadership in the hands of very few people and given the personal attention of the President. Planning has been important, but more to survey the terrain, rather than to deal in detail with the economy. It provides a forum for discussion of priorities. Implementation, rather than planning, has been the forte of the Park government, together with speedy and flexible decision making marked by pragmatism, incentives, commands, and punishments. It has been consistent and subject to little manipulation by business. Public enterprise is relatively efficient, not because of any exceptional features, but because the Park government did not tolerate failure. The government was quickly able to change public sector personnel, mandate targets, and force implementation.

Policy decisions have been implemented both through a command structure and through discretionary decisions delegated through the hierarchy. Important in the process has been policy flexibility in economic planning (as opposed to rigidity in politics). Korea has not only demonstrated the capacity to make quick decisions, but also to make speedy reversals when such decisions seem appropriate.

The Harvard studies dismiss the problem of corruption in development terms. There has been, they maintain, much less corruption in Korea than

^{37/} Ibid, p. 3.

in most developing countries. This is likely to be a subject of much dispute. If by corruption we mean the process of inappropriate transfers of funds, as defined by the local culture, impeding the efficient conduct of business or government, then the conclusion of the Harvard group may well prove accurate. If, however, it is interpreted in a more doctrinaire or literal sense, this conclusion may be in question. Certainly the purges conducted by the Korean government itself both of business and the bureaucracy on ostensible charges of corruption would tend to bring the Harvard conclusions into question. Yet it could also be argued that government charges of corruption were brought as a form of both political and economic pressure to force adherence to policies and economic goals. The answer to this question appears ambiguous, but it deserves greater attention than given in the Harvard volumes.

VII. ENTREPRENEURSHIP

Perhaps some of the most fascinating and revealing comments on the dynamics of Korean growth and social structure are found in the volume on entrepreneurship. It raises many issues, presents a variety of hypotheses (in lieu of conclusions), and broadens our understanding of Korean development. Before turning to the volume itself, the Harvard team made some general comments on the subject at the panel workshop.

It is possible to divide the question of entrepreneurship into those of supply and those of demand. On the demand side, there were a large number of business opportunities in the Park period. The response to such opportunities was rapid and adequate, even though the growth of Korean exports was accomplished more by the expansion of existing conglomerates than by new firms joining that select group. There was a different type of demand during the Rhee and Park periods. Under Rhee, it was a zero-sum game, with the elite seeking to have access to the limited foreign exchange which would allow them to become wealthy. Under Park, however, there were vast opportunities, and it was a positive-sum game, for there was an immense supply of investment opportunities and chances to do very well indeed. There was not much difference between the two periods in terms of export incentives. Rather, it was the elimination of the ways to make a fast won under Rhee coupled with social and political imperatives that made the difference.

On the supply side, homogeneity of society, continuity of elites, and the infusion of a highly motivated and self-selected group of Northerners fleeing to the South all contributed to the process.

The entrepreneurial group in Korea, as reflected in the leadership of the leading conglomerates, is a self-perpetuating elite that is derived from the previous elite.^{38/} The group is exceptionally well educated

^{38/} Ibid, p. xxxii.

compared to their male cohorts in the society (about 70 percent had some college education compared to 10 percent of all males), yet this elite has not competed for political power.^{39/}

Contrary to traditional interpretations of the effects of Confucianism on society, the volume notes, ". . . Korean culture and history have combined to produce a substantial stock of entrepreneurial intent, but that only after 1961 were these energies channeled into socially constructive outlets through government intervention."^{40/} There was, during the Japanese period, typical colonial dualism in the economy. The colonial heritage was, however, far from negligible, in spite of the fact that at the close of that era less than 1 percent of Korean households was involved in manufacturing and 6 percent in commerce.^{41/}

Syngman Rhee was more concerned with the political and national integrative factors than the economy per se, so that "it was easier to make money from government-derived favors than from productive competitive activity, and entrepreneurs naturally followed their pocketbooks."^{42/} Contrary to the generally held opinion, Rhee did not discourage exports and the most important cause of the export boom was the reduction of alternative higher-yielding sources of entrepreneurial investment.^{43/} Other factors included: simpler input acquisition, lower variance in export returns, field augmentation, and non-pecuniary incentives.

Policy implementation was a critical factor in Korea's success, and this was accomplished through an effective reward and punishment structure, including compulsion and delegated administrative discretion. In response to a survey, entrepreneurs indicated that under Rhee, decisions were "always implemented" only 3.2 percent of the time and almost always implemented 17.2 percent of the time. The same figures for the Park period are 78.2 percent and 16.6 percent respectively.^{44/} This is a highly significant finding.

There has been a very high level of entrepreneurial aspiration and entry into business, but this has led to a high rate of failure. Those who survive this tortuous process expand and spawn new, related concerns.^{45/}

^{39/} Ibid, pp. 231 and xxix.

^{40/} Ibid, p. 5.

^{41/} Ibid, pp. 22-23.

^{42/} Ibid, pp. 36-37.

^{43/} Ibid, pp. 92 and 96.

^{44/} Ibid, pp. 137.

^{45/} Ibid, p. 176.

There have been some regional disparities among entrepreneurs. The Kyongsang provinces dominate, but are underrepresented in population terms. Seoul and Kyonggi areas are also heavily represented (which is not surprising),^{46/} while the Chungchong, Cholla, and Kangwon provinces are underrepresented. There is some overrepresentation among Christians and Northerners in enterprise.

The reasons for the success of the entrepreneurs rests in the following factors:

- competitive dedication to improving one's relative position and that of one's family;
- respect for education and self-improvement;
- inculcation of hard work, diligence and self-discipline;
- no religious or ideological constraints; and
- ability to subordinate oneself in a hierarchical framework.^{47/}

The study rates the importance of individuals in this process, and states: "Economists devote much time to getting resources to the right industry whereas getting them to the right individual may be far more important."^{48/}

The concentration of the study survey on successful entrepreneurs is both instructive and fascinating, and offers considerable insight into how Korean growth took place. One wishes that a similar survey had been done of small businessmen and failed entrepreneurs, to see the social backgrounds of these groups, and the influence of education, prestige, connections, and regionalism on their careers. It would have added a great deal to the study, which still remains the most fascinating of the seven volumes.

VIII. FOREIGN ASSISTANCE IN ECONOMIC DEVELOPMENT

United States foreign assistance in Korea totaled about \$12.6 billion from 1946 to 1975. Over half of this was military assistance. In addition, Japanese aid was \$1.0 billion and other foreign assistance reached \$1.8 billion.

There is an irony to this assistance. The time of maximum aid, until 1965, was the period of least growth, but after U.S. aid declined, growth

^{46/} Ibid, pp. 212-213 and 217.

^{47/} Ibid, p. 225.

^{48/} Ibid, p. 305.

was at its height. A simple study of the lag in effect does not explain this situation; the answer is more complex. The importance of U.S. assistance (the only other aid was a modest amount from the U.N.) was essential to the survival of Korea. In the period 1953-62, U.S. assistance made the difference between positive and negative growth in the decade. In the next few years, U.S. support made some, but not major, contributions to Korean development, and after 1965 this support was marginal. U.S. assistance was in the form of grants; as Korea began her export drive, it thus had a very low rate of foreign debt, and at that time normalization of relations with Japan brought in considerable additional funds. Part of the reason for growth of the economy when U.S. assistance was marginal was that considerable excess manufacturing capacity had been built up which was able to be used only when the policy framework was created, implementation improved, and opportunities for non-productive use of funds were diminished.

The effectiveness of U.S. technical assistance to Korea in the economic sector was mixed. With an inauspicious beginning under the U.S. military occupation, Korea started on an independent path at a considerable disadvantage. U.S. military officers were put in charge of industries in which they had no experience. Banking reform, as well as reforms in education, rice pricing and procurement, essentially failed, although advisory services in land reform were far more effective.

The post-Korean War 1950s were marked by conflict between the two governments over economic and exchange rate policies. During this period, U.S. technical assistance contributed little directly to Korean economic development. Korean economists, who were later to be critical to the success of the Korean effort, were trained in the United States, but at the instigation of neither government; they were not absorbed into Korean affairs until after the fall of Rhee. Until the mid-1960s, when the Park government began to recognize the utility of some of the foreign-trained economists to their program, they found few positions either in the public sector or in the universities (with the exception of Sogang College, an American, Jesuit-supported institution). With a new and invigorated AID leadership in the field, greater numbers of advisors were provided, and some had major influence on specific economic policies or on the planning process in general. AID also started a program to train economists abroad.

Approximately \$5-10 million was provided Korea for economic technical assistance, but its influence was far greater than the amount of funds. Only towards the end of major U.S. assistance, however, did the United States attempt to build permanent institutions that could continue advisory services within the Korean context (the Office of Rural Development was an exception in 1962). The Korean Institute for Science and Technology and the Korea Development Institute are two such institutions.

Rather than a result of foreign technical advice, the Korean export promotion drive was a product of internal Korean perceptions of their need to become economically independent and not to rely on the United States. This may partly have been based on the coolness of the United States towards the military coup and early doubts about Park himself (Park first

was suspected of having communist leanings, as he had been involved in the Yosu-Sunch'on uprisings in 1948). Park had probably been upset over United States pressure to force the military to hold elections in 1963, to which the military finally acquiesced.

Overall, U.S. advisory services were marked by an underestimation of Korea's possibilities and vacillation on types and amounts of economic support, which were at least partially dependent on the predilections of different AID mission directors. Individuals may have been influential in working with the Korean government to recommend certain policies, but overall the performance was quite mixed.

Little has been written in these volumes on the role of U.S. military assistance and its impact on the development process. How much military aid had an economic return beyond such obvious items as sales to U.S. soldiers and thus the earning of modest amounts of foreign exchange, and the employment of Korean civilians by the Army at a time when Korean unemployment was high, is unknown. Important as well are questions of the transferability of skills from the Korean military to their civilian roles on discharge, especially for the thousands who were sent to the United States for various periods of training. This is a subject worthy of considerable scrutiny.

IX. EDUCATION

The contemporary Korean educational system is a welter of inconsistencies in development terms. It has expanded at an exceedingly rapid rate, although no faster than a number of other societies, but government expenditures on primary education have been small in comparison to most developing societies. Korean education has produced a highly skilled labor force adapted to change and high technology, but the stress in its curriculum has been on moral and ideological conformity, not high technology or even on technical skills. Korea has a great number of colleges and universities, many of them private, but only a few stand out as consistently supplying entrance to the upper echelons of the society. It is a "meritocratic feudalism," a system in which access to the elite is based on a fair and impartial examination system open to the society as a whole, but one which in fact serves to ratify existing status and reconfer prestige on an established and highly skilled elite. It supplies talent to the modern business and technological community, but its basis is concepts of Confucianism which are centuries old. Most families invest their relatively meager savings into the educational system but the economic gains from such investment are limited for most.

Education is an area that had attracted foreign, mostly American, assistance, but one in which non-Korean influences have been exceedingly limited. There has been a growing demand for education in the developing world. It is an inchoate goal of such demands that access to such education will bring about social mobility. Yet in Korea the social demand for education has far outstripped the government's support to it, and indeed the

results to its participants. In 1973, the state spent four times the amount on the military as it did on public education, and Korean public expenditures on education have been lower than in most comparable developing countries.^{49/}

During the Japanese period 45 percent of Korean school-age children were in primary school. This was quite a high figure for a colony, and the explanation lies in its use to the Japanese in the process of political socialization of the Koreans: the teaching of Japanese to integrate them into the Japanese empire.^{50/} Following the Japanese colonial period in which markedly limited higher educational opportunities were made available to the Koreans (The Japanese established Keijo Imperial University--now Seoul National University--basically for Japanese residents in Korea. There was, however, an extensive private Confucian system), there was an explosion of public education to meet the pent-up demand of the Koreans who could not go to school in their own language during the Japanese period.

This effort was assisted by the military government. Following the Korean war, some \$100 million was provided by the U.S. from 1952 to 1966 basically for construction of some 23,000 classrooms. The Americans attempted to democratize education both in its content and administration. The military government encouraged local boards of education and parent-teacher associations that would be autonomous, and introduced concepts of egalitarianism, co-education, and technical training. These efforts largely failed, and education gradually became highly centralized (more so under Park than under Rhee) and even more authoritarian. Parent-teacher associations remained, but only as a means for mobilization of private funds to supplement modest government subsidies.

Education in Korea is characterized by a high rate of private resources flowing into the sector. Public contributions have been about 3.0 percent of GNP, but total investments in education were 7.7 percent of GNP in 1975 and 9.8 percent in 1971.^{51/} The summary volume lists government expenditures at 2.2 percent of GNP in 1975.^{52/}

There have been four major influences on education in Korea: Confucian; political and anti-communist indoctrination; democratic; and scientific and technological. The first two are of far greater significance.^{53/} The emphasis on the Confucian values of filial piety, loyalty to the state,

^{49/} McGinn et al., Education and Development in Korea, pp. xxiv and 36.

^{50/} Ibid., p. 82.

^{51/} Ibid., p. 15.

^{52/} Mason et al., The Economic and Social Modernization of the Republic of Korea, p. 355.

^{53/} Ibid., p. 359.

discipline, and the political socialization process of instilling anti-communist ideology in a people (supplemented by quasi-military training) has increased in intensity from the Rhee to the Park regimes.

The goals of education have changed. Under Rhee it was the "extension of human welfare" (hongik ingan), a blend of modern and traditional values.^{54/} Under Park emphasis on personal responsibility and independence decreased, and there was greater stress on anti-communism, nationalism, and patriotism.^{55/} The values of education shifted towards acceptance of an authoritarian state.^{56/}

The value of education to both the student and the family may seem to be economic, but its real use is in the social value of the process, not its financial return in terms of salaries.^{57/} Education may be a necessary, but not sufficient, means to higher level success. Korean education is as a whole not economically functional, for there is a greater positive rate of return to physical capital.^{58/} The low rate of return to education, as the Harvard study states, is inevitable because of the attempt to hold down the salaries of workers. In spite of this, it is a rational investment in terms of social prestige.^{59/} Thus the social rate of return is critical, not the salary levels. This is both true for teachers and students. Korea has been able to attract a great many male primary teachers due to prestige in spite of comparatively low pay.^{60/}

If the individual's direct economic returns to education have been financially low, what about the returns to development more generally? The studies indicate that there is a positive relationship between education and economic growth, but that there are more convincing explanations for such growth.^{61/} The argument that Korean education responded to increased opportunities in the economic sphere by providing trained manpower does not hold up. Education expanded before economic growth became a relevant

^{54/} McGinn et al., Educational Development in Korea, p. 29.

^{55/} Ibid., p. 44.

^{56/} Ibid., p. 45.

^{57/} Mason et al., The Economic and Social Modernization of the Republic of Korea, p. 376.

^{58/} Ibid., pp. 368-369.

^{59/} McGinn et al., Educational Development in Korea, p. 180.

^{60/} Ibid., p. 78.

^{61/} Mason et al., The Economic and Social Modernization of the Republic of Korea, p. 364.

factor. The explanation that a trained technical corps of labor was available for economic activities is also only partially true, for the specific skills taught in the school system were not directly germane to economic needs. The explanation seems to be that what was important in education was not what was taught, but rather the structure of the schooling process, the adherence to rules, self-discipline, the importance of time, and competition.^{62/}

In spite of the expansion of the educational system, it still retains its elite character at the top. Thus, Seoul National University supplies about 35 percent of higher civil servants and public enterprise managers, and 25 percent of entrepreneurs. About half of the second generation of leaders of the conglomerates (zaibatsu or chaebol) are also graduates of Seoul National University.^{63/} Students are "not transformed by the educational process, as they are 'chartered' by it."^{64/}

A provision of the Korean constitution stipulated compulsory education was to be free, but this has not been true.^{65/} There are incessant financial demands of a formal and informal nature (some through a tutorial system that in 1980 was declared illegal as the Chun government attempted to eliminate the system. Informants in Seoul say that the costs of tutoring have as a result gone up. Where tutoring previously could be done in groups, because of the edict it must be carried out privately.) Family costs for two children in school run between 5 and 30 percent of income.^{66/}

Korean education is open at the bottom of the pyramid, and there seems to be equal access throughout the country. It becomes comparatively restricted, however, at the top.^{67/} If regional discrimination does not seem to exist, there are some class distinctions as the system progresses, as the better schools are in the capital. (Thus civil servants are often reluctant to take their families on provincial assignments.)

There is increasing distrust of government the higher up the educational ladder one climbs.^{68/} Students attribute less legitimacy to the (Park)

^{62/} Ibid., pp. 372-373.

^{63/} Jones and SaKong, Government Business and Entrepreneurship in Economic Development: The Korean Case, p. 223.

^{64/} McGinn et al., Educational Development in Korea, p. 235

^{65/} Ibid., p. 154.

^{66/} Ibid., p. 155.

^{67/} Ibid., p. 175.

^{68/} Jones and SaKong, Government Business and Entrepreneurship in Economic Development: The Korean Case, p.

government the more education they attain, according to some studies.^{69/} Other studies indicate that middle and high school graduates were the most discontent, as the graduates of elite institutions, coming from the elite classes, could manipulate the system to attain their goals. At the higher levels, student discontent is not unorthodox, but rather conservative.^{70/} The government has used the educational system to instill political orthodoxy, but there are growing tensions. "We would predict that, with continued expansion of education, the Korean government must also continue to be repressive, or permit a fundamental change in political structure."^{71/}

Overall, then, education did play an important role in Korea's economic development, but "it did this primarily by assisting a strong government with modernizing policies to impose its will upon the nation."^{72/}

There are, perhaps, ambiguous lessons from the Korean educational experience. The growth of primary education has been of importance to Korea, but the content has been particularly geared to the political and social requirements of that society as determined by its governments. American assistance to educational reform there has not succeeded in its attempts to inculcate American values. The concentration of U.S. assistance in education, insofar as it deals with the formal system, might well be limited to scientific and mathematical fields, which although not value-free, at least offer greater possibilities for continued implementation after project completion. The drive for education in Korea has been so strong that even the government invested less in it than many other societies. Thus, the Korean case may not be a model. AID might consider education not only as a development prerequisite, but also as an investment in some social mobility, and thus important in equity terms.

X. POPULATION, HEALTH, AND URBANIZATION

Although the volume on population has not yet appeared, some attention is given to the issue in the summary volume. Officially Korea's family planning program did not begin until the early 1960s. Syngman Rhee was personally opposed to family planning, perhaps because he viewed South Korea in competition with the North and that a larger population could support a bigger army (even though the South had almost double the population of the North).^{73/} Family planning programs could not begin until after Rhee was overthrown. In spite of this delay, the rate of expansion of the population began to drop before the official inauguration of such efforts. Abortion was not legalized until 1973, but it had been common for many years. Perhaps the relative equality of income distribution contributed to lowering aggregate fertility.^{74/} Korea has one of the most successful family planning programs in the world.

^{69/} McGinn et al., Educational Development in Korea, p. 216.

^{70/} Ibid., p. 212.

^{71/} Ibid., pp. 240-241.

^{72/} Ibid.

^{73/} Mason et al., The Economic and Social Modernization of the Republic of Korea, p. 386.

^{74/} Ibid., p. 389.

Public health expenditures have been a very minor element in Korea, and of all the social services, this seems to have been the least developed. In 1973 expenditures averaged about \$1.33 per capita, or about the same as Burma but more than the Philippines (\$1.06). In contrast, Thailand spent \$2.45 per capita, Japan \$5.45, and Malaysia \$7.18.^{75/} Korea has very sophisticated and well trained health personnel, but they are largely in the curative field and in the private sector. Private pharmacies play an important, unquantified role in the country's widespread health services. A volume on health had been planned for the series, but it was later abandoned.

Urbanization has proceeded in Korea at as rapid a rate as in any country in the world larger than a city state.^{76/} The reason for this is essentially economic, although other factors had some influence.^{77/} (The definition of "urban" in Korea is a city of 50,000.) The volume notes: "Korean urbanization has been a great success story during the third quarter of the Twentieth Century."^{78/} That conclusion must be called into question, for there is little evidence that aside from rate and percentage of urbanized population, the quality of urban life warrants this appellation. The volume cites severe problems of both water and air pollution, and comments that there must have been adverse effects on the health of the population.^{79/} It is evident from other sources that the Korean government had been warned about possible environmental effects of heavy industrial concentrations in urban areas, and it chose to ignore, and even suppress, such information. Perhaps, although it is not clear, the authors considered urbanization successful because of its contribution to economic development, although it could be argued that unlimited speculation in land (Seoul prices rose 2,610 times from 1963 to 1974) forced prices up, thereby fueling internal inflation and making Korea less competitive on the world market.^{80/} There has been generally competent management of urban administration, but the reasons may rest not with the management system, but rather in the process of social control, discipline, cultural practices, or some combination of all three. The question of urban management is ignored in this study. There is also a need for study of the effects of apartment living on changing social and economic patterns. The growth of apartments has probably been the single major housing change in Korea. The financing of such housing and their operation deserve serious scrutiny, and this is not done in this volume. Urbanization and Urban Problems is the least satisfying volume of the series.

XI. INCOME DISTRIBUTION

There seems to be general agreement among the authors of the Harvard studies, as well as other writers on Korean development, that in comparative terms Korea has not witnessed the growth of the degree of income inequality

^{75/} Ibid., p. 405.

^{76/} Mills and Song, Urbanization and Urban Problems, p. 7.

^{77/} Ibid., p. 28.

^{78/} Ibid., p. 175.

^{79/} Ibid., p. 79.

^{80/} Ibid., p. 105.

that has occurred, or was prevalent, in many other societies, including some with a reputation for strong egalitarian programs. "Growth appears not to have caused serious disparities in an income distribution that has been remarkably egalitarian for a developing country."^{81/}

The stress on the comparative aspects of Korean income distribution is evident throughout the volumes. If the statistics have validity, comparative Gini coefficients for the period 1971-73, Korea was 0.36 (1971), the Philippines 0.49 (1971), Malaysia 0.52 (1970), Thailand 0.40 (1970), Sri Lanka 0.35 (1973), Tanzania 0.50 (late '60s), and Costa Rica 0.44 (1971).^{82/} Korea thus comes out quite well, but worse than Japan (0.29), and Taiwan (0.28).

If Korea is perceived to have more egalitarian income distribution than many, how did this happen in a society very hierarchical in structure and in which many have grown rich as a result of the successful export drive? Aside from the massive adjustment in the grain pricing policies of the early 1970s, it was not a result of a growth strategy. In fact, the Koreans have not discouraged economic concentration in terms of its export performance (they gamble where the odds in their favor are greatest-- on the successful conglomerates), nor is the tax structure designed to redistribute income. The reasons lie in the following:

- relative homogeneity of the society, where there are no especially disadvantaged groups or regions to a degree severe enough to change statistics;
- land reforms;
- destruction of assets during the Korean War;
- access to education; and
- high literacy.^{83/}

^{81/}K.S. Kim and Roemer, Growth and Structural Transformation, p. 154.

^{82/}Ibid., p. 163. In Gini coefficients 0.00 is complete equality, 1.00 is complete inequality. It should be noted that if a nation has a Gini coefficient of 0.35, this indicates that the lowest 40 percent of the population receives about 11.5 percent of the benefits of society. Such a coefficient is prevalent, and should not be considered a matter of great equality. It is common, but not desirable. Indeed it is also inaccurate in the Korean context, as will be noted below.

^{83/}Ibid., p. 164.

Also important was the creation of a national labor market that overcame regional differences and isolation. In fact, some argue that growth, instead of worsening income distribution, may have improved it. For example, because of spectacular increases in real estate prices and because 69 percent of housing is owner-occupied, the increase in land values may have decreased concentration of wealth.^{84/} This seems dubious, given the fact that the urban population is over half the population, and much of urban housing is under a "key money" (chonse) system that cannot be considered ownership.

There are obvious disparities of wealth among and between the urban and rural populations. In 1975, statistics indicate rural household incomes were 70 percent of urban per capita wages, although the farmer and the industrial worker's wages were about equal.^{85/} Within the rural sector, the poorest 40 percent of farm households received 19 percent of total rural income, while the richest tenth got 25 percent.^{86/}

In spite of what has obviously been good performance, the Korean statistics on income distribution are flawed, as they fail to take into account incomes over \$5,000.^{87/} This not only excludes the major, and many of the more minor, businessmen, but also relatively senior civil servants, professionals, and academicians as well. How much difference a recalculation of the data with these figures included would make is not estimated in the volumes. The entrepreneurship volume comments: there was "a sustained annual real increase in income of roughly 10 percent both for the country and for the poorest 40 percent of the population. The fact that in the process a relatively small number of individuals benefitted disproportionately is important, but secondary when viewing the 1961 to 1979 period as a whole."^{88/}

The gap in the statistical data at the higher end of the scale and several other factors are cause for concern that the situation has or may change for the worse. There is growing disparity between the wages of blue and white collar workers, the latter rising more quickly than the former.^{89/} Although there has been a very great narrowing of the gap between urban and

^{84/} Mills and Song, Urbanization and Urban Problems, p. 107.

^{85/} Mason et al., The Economics and Social Modernization of the Republic of Korea, p. 482.

^{86/} McGinn et al., Education and Development in Korea, p. 142.

^{87/} Mason et al., The Economic and Social Modernization of the Republic of Korea, p. 410.

^{88/} Jones and SaKong, Government Business and Entrepreneurship in Economic Development: The Korean Case, p. xxxiii.

^{89/} Mason et al., The Economic and Social Modernization of the Republic of Korea, p. 212 and Kim & Roemer, Growth and Structural Transformation, p. 167.

rural incomes since 1969, and thus income distribution has improved, if business income is calculated (which essentially it is not), then there is a rising trend of maldistribution.^{90/} There are also some pressures to remove the approximately three-hectare limit on ownership of agricultural land, and to separate ownership from operation. This would, if grain support prices remain high, serve to increase the average size of holdings, and thus production units, making mechanization easier. It would, however, very likely increase the discrepancies in rural incomes markedly, and indeed between the urban and rural sectors, as large amounts of land would probably be bought by the urban elite.

A separate conclusion seems inescapable: given the highly sophisticated nature of economic talent in Korea and the remarkable completeness of the data that is available compared with other countries, the enforcement capacity of the government to collect such data, and its record on implementation, the absence of data on the upper income levels of the urban population can only be regarded as an intentional omission. Although the government did raise grain prices, thus improving equity in rural areas, they have done little else. There has been no serious effort to redistribute income by taxing the wealthy.^{91/} The release of data on the wealthy segment of the population might be politically explosive.

No Korean government, then, has viewed more equitable income distribution or better access to services as a primary goal in itself. Education expanded because of public demand, not government expenditures. Public health is still severely limited. Rural incomes have risen because of political imperatives, rather than social consciousness.

The volumes continuously make the point that there is little conspicuous consumption in Korea, at least in comparison with many other societies. This seems questionable. It is true that excess wealth is often plowed back into productive investment and education, but even to the casual observer the status symbols of the rich in Korea are many and evident. The most prestigious designer names in clothes and accessories abound, at least in Seoul, and the immediate juxtaposition of the very wealthy and the poor seems common. It is true that the governments of both Park and Chun have cracked down on public signs of consumption in periodic campaigns, but each time the effects seem ephemeral. The wealthy may put the Mercedes in the garage for a period, but it finds its way onto the road once again. It is true that there is no exclusive walled enclave for the most wealthy in Korea, such as Forbes Park in Manila. But if there is not a communal wall shielding groups of the wealthy from the general population, behind each individual walled compound scattered around Seoul there are the

^{90/} Mason et al., The Economic and Social Modernization of the Republic of Korea, pp. 429 and 411-412.

^{91/} Jones and SaKong, Government Business and Entrepreneurship in Economic Development: The Korean Case, p. 279.

obvious manifestations of high status and wealth, if not opulence. The Koreans may be somewhat less flamboyant than others, both by training and by decree, but income distribution is still a cause for concern.

XII. KOREA: SUI GENERIS OR GENERIC? LESSONS FROM KOREA

The widespread publicity of the Korea experience in generating self-sustained growth and a successful economic development program has naturally prompted the search to determine whether Korea should be a model to be emulated by the developing nations and the donor community. To what degree is this justified? There is, as in so many fields, a polarization of views. Some would like to apply the Korean experience "whole cloth" to other societies. On the other hand, the modernization study speculates, "It is tempting to hazard a guess that Korea has developed because it is occupied by Koreans."^{92/} It then dismisses this position in light of the obvious economic stagnation that was prevalent in the Yi Dynasty. Yet the question remains: To what extent were the successful policy formulation beginning in the 1960s, the energetic and effective implementation efforts, policy pragmatism, rapidity of response to opportunities and crises, literacy, and the incentives and punishments--both social and economic--a product unique to the Korean experience? Alternatively, one could broaden the question and ask to what degree, given the successful developmental efforts of Japan, Taiwan, and Singapore, was it a result of a Sinitic-oriented culture, one based on a personal and social philosophy operating in a strongly hierarchical social structure?

Clearly these questions cannot be easily answered. They are too complex to allow simplistic treatment, and our instruments of analysis are not yet sufficiently finely tuned to satisfy the knowledgeable skeptics. Even if they could be treated with a degree of authority, the causal relationships might not be evident. Societies, after all, are not laboratories allowing controlled experiments. Yet it would be injudicious not to draw whatever tentative conclusions seem possible from the wealth of data available in order to continue to test them, even if the causal relationships remain indistinct.

A. The Sinitic Societies

The issue of the uniqueness of the Korean experience will be discussed in later paragraphs, but first attention should be given to the performance of the Sinitic societies.

Certain observations can be made about the Sino-centric societies. Generally successful implementation at the microeconomic level and the macroeconomic growth figures in all of these societies, (including the People's Republic of China with its special population problems), indicate a pattern that cannot be ignored, whatever its causes. It is patently

^{92/} Mason et al., The Economic and Social Modernization of the Republic of Korea, p. 446.

imprudent to dismiss the fact that the most successful growth rates among developing countries in the world (aside from those exporting petroleum) occurred in these nations with a similar cultural heritage. Such a fact cannot be ascribed to chance.

At the sector level, it is relevant to examine such datum as agricultural production per hectare and ask why, in spite of obvious climatic disadvantages, Korea, Japan, and Taiwan have done so well. Further, why were the family planning programs in those countries, as well as Singapore, so successful so early compared to so many other nations where progress has been so slow. All of these societies are highly literate, comparatively urbanized, and have authoritarian political systems (aside from Japan) but whether these or other factors are causes or effects is unclear. The question can be extended. Why have the overseas Chinese played such an important role in Thailand, the Philippines, Indonesia, and Malaysia? How much of their economic growth has been a result of Chinese entrepreneurship? Why have Koreans in the United States succeeded both economically and academically? The salient fact of a common cultural base remains as the most plausible of the explanations open to us today. Thus to ignore this is to fly in the face of the meager data at our disposal.

The above statements do not necessarily mean that economic development of the intense and sustained nature in Korea and in other Sinitic cultures cannot take place elsewhere, but it does mean that Korea as a model must be treated with great caution. Unfortunately for donor administrators, rejection of a Korean, or any other single model for that matter, together with the claim for cultural specificity in development policy and project design, complicates the development picture in terms of the inchoate need so many donors feel to develop uniform administrative systems, programs, and development practices that can be applicable on a world-wide basis. It would no doubt simplify all donor agencies if universally applicable solutions could be found. The search should continue, but it is unlikely that there is a pot of golden development policy at the end of the Korean or any other rainbow.

B. The "New Directions" and Korea

One must attempt to explain the discrepancies between the Foreign Assistance Act of 1973, the "New Directions," and the Korean policies and practices. Here, as noted earlier in the paper, there are wide divergences. A distinction can be made, however, between those aspects of the Act that are matters of policy formulation and are likely to effect a national effort, and those that are less strategic, more questions of intent or concern.

The growth of a free labor movement, for example, is a matter of general American concern, and the U.S. has attempted to foster such movements both directly on a union-to-union basis and more obliquely through such mechanisms as AID. However desirable such associations may be, both as elements of a general American preoccupation with the human condition and as a means to improve development, they are not necessarily central to a national development strategy. The same may be said for a more effective and participatory cooperative

movement. In both cases in Korea these movements have been under stringent government control, the former through manipulation of its leadership and through edicts preventing strikes, the latter as a direct arm of the government for the purchase and storage of agricultural commodities and the supply of credit, seed, fertilizer, pesticides and other commodities, as well as an element of social and political control.

Of a different qualitative nature, however, is the question of stress on the agricultural sector as the engine of growth in society. This emphasis is at the heart of AID policy, and seems based on disillusion with early and ill-conceived industrial development schemes in a variety of societies. In contrast to the "hard" societies of the Confucian tradition, the policy may have been formulated on the example of the "soft" societies, which are of course much more numerous. It is true that national planners in a variety of countries, both socialist and competitive, adopted industrial programs not only because they followed what they thought to be a Western development model (no doubt egged on by technical assistance from the West), but because they, as members of the elite, were more urban-oriented and looked askance at the rural sector. Perhaps they wished their country to look modern as well. This feeling may have been intensified in countries emerging from a colonial past where foreign control of such industries prompted heightened nationalistic feelings.

Should, then, AID's policies be reversed based on the Korean model? The Korea case proves that AID policy is not always germane, but it does not demonstrate that it may not often be right. Indeed, a shift in policies is not warranted both because of the obvious and growing food needs in the world (although the tension between aggregate production and individual equity is a separate and important matter), and because a single example does not make the case. In the Korean context, industry could develop, among other reasons, because of an educated, mobile surplus of agricultural labor available to staff export-oriented industrial complexes. However, to stem the tide of urban migration, a re-evaluation of agricultural pricing policies was necessary to foster production to feed the industrial labor, as well as to meet international security needs (allay fears of overdependence on foreign grain and to counter North Korean propaganda), national economic needs (lowering the growing strain on foreign exchange reserves), and internal political requirements as viewed by the regime.

The most that can be said, then, is that the AID policy of assistance to the rural sector as the primary focus of developmental aid should be subject to close scrutiny on an individual nation basis to determine that this policy makes developmental sense. For example, it may be far better developmentally for Yemen to import her grain needs now, and concentrate on some other engine of development (which of course she is doing with the export of labor). A monocultural exporting country might well need to diversify into agro-industries. To set worldwide emphases may be administratively sound, but universal programmatic rigidity is hazardous to everyone's health.

C. Land Reform

The problem of equitable income distribution, or at least distribution of the fruits of development projects, also raises profound policy problems. As we have seen, for two decades following the Korean War, the Koreans opted for an urban strategy to the detriment of the rural population in terms of income, and to the nation in terms of production. It then reversed this policy, and by heavy subsidization of grain prices was able to achieve more balanced income distribution.

The critical factor, the unarticulated basis that allowed this policy to be quite equitable in its effects, was land reform, a reform that allowed greater equality of income distribution but was also redistributive of income as well. This occurred because of absolute expropriation of Japanese agricultural land, and through the virtual expropriation of large Korean landlords. There is no doubt that it worked well. It is equally clear that without it income would have been very unbalanced, to say nothing of the political implications of maintaining the agrarian status quo when North Korea had already carried out its own land reform.

The issue for AID is: if AID is to continue its emphasis on rural equity, should land reform be a necessary underpinning of rural programs? There have been few successful land reform programs in the world. In addition to Korea and communist countries, Japan, Taiwan, and Burma come to mind. Other efforts have been partial and uneven. Partial reforms do not seem to have redistributed income to any appreciable degree. The political implications of such a policy would obviously have to be assessed on an individual country basis, but in most cases implicit in such a program is the redistribution of political power and all the implications that such an event would likely mean in that particular context. It seems unlikely that the U.S. could negotiate reforms with many established governments in such situations, especially those regimes dependent upon rural elites for their hold over the countryside. In many societies we should not delude ourselves that equitable rural incomes, even in small projects, can be achieved without land reform. We may wish to program in such areas, but we will be operating at the margin. This needs recognition, as self-delusion is a cardinal sin of foreign assistance.

D. Agricultural Pricing Policies and PL 480

Two clear lessons evolve from the Korean agricultural experience. The first is that agricultural pricing policies are critical for both improvement in rural incomes and in increasing yields. This, no doubt, is an obvious comment, but it bears repeating because it is so often ignored at the project level, often with disastrous results. In the Korea case, both incomes and production could increase together because of the land reform base, but in other, more inequitable, societies as choice may have to be made between the two. There are other models, such as Burma, but there what the government lacked in price supports it made up in implicit coercion and government monitoring of production and sales.

The second lesson is less obvious, but perhaps more painful for AID. That is, Korea demonstrates that PL 480 can be a substantial, and indeed critical, deterrent to reform of national grain pricing policies. In the past, the deterrent effect of PL 480 both on prices and on change of price policies was often overlooked. There is little doubt that inadvertently PL 480 in Korea had a repressive effect on Korean agricultural policy and performance, no matter how useful it may have been in generating local currency. It is ironic that PL 480 has often been supplied to provide counterpart local currency so that AID could plan and implement development projects. Thus AID has provided one type of assistance (PL 480) to be able to supply a second type (development projects). One implication is that in the short run PL 480 was provided to keep AID in business in that country, although the long-term goals may have been admirable.

E. U.S. "Leverage"

The issue of agricultural pricing policies and PL 480 leads to a third, more generic, issue: the question of U.S. "leverage" in economic planning, policies, and projects. When Korea was essentially a "client state" in the 1950s, dependent on the U.S. militarily and economically, when economic planning and policies were formulated by joint Korean-U.S. teams, and when a major portion of the national budget was dependent on U.S. assistance, the U.S. was able to exert little leverage over Korean policies. Project design could be changed through the amounts of foreign assistance provided, but it was very difficult to change policy. Why?

The answer to this question lies in U.S. internal policies. PL 480 is just one example of direct competition between the Department of Agriculture and AID, as the Department of Agriculture has been under a mandate to dispose of U.S. grain surpluses. Other institutions that are sources of potential stress include the Department of State ("change will send a signal ..."), the Department of Defense, Commerce, Treasury, and others. In the Korean case, security conditions predominated, thus Rhee's recalcitrance to adjust the exchange rate or make other reforms was always subject to overriding security considerations. Foreign leaders are quite astute and can effectively play upon these divergent interests of the U.S. government in any country at any one time. After all, the United States talks about fostering pluralistic centers of power, and in our own society that pluralism is mirrored in pressures on foreign assistance. The argument that a larger, more diversified, foreign assistance program in any country will lead to greater influence over development or economic policy formulation has not generally been demonstrated. It may serve U.S. national needs, but it should not be justified as serving developmental ones.

The magnitude of U.S. assistance in a sector or project has often been justified in terms of "buying a seat at the table." Whether this form of modified leverage is justified depends on local circumstances, but it should be subjected to scrutiny and treated with a degree of scepticism. The leverage question is one that should be carefully analyzed in formulating assistance levels before it is automatically accepted. It is especially vulnerable in programs that are predominantly political in notion, such as those included under Economic Support Funds.

F. The Continuity of U.S. Assistance

An important lesson drawn by the Harvard group is the need for continuity of development assistance efforts. In 1963 or 1964, Korea was regarded as a "basket case". The Koreans accused themselves of having a "mendicant mentality," always on the dole. AID officials in that period talked privately about pouring money down the Korean rathole. Had security considerations not prevailed, the U.S. might have backed off from Korea at that time. Indeed, the United States began to lower Korean dependence on the U.S. (hoping to shift part of the burden onto Japan after normalization in 1965), and began a campaign of instilling confidence in the regime that development was possible. This in itself may have been an important unarticulated contribution to the development process. The nationalistic nature of the government, however, and the need for legitimacy (see below) encouraged this attitude, which quickly, for reasons discussed elsewhere in this paper, turned hopes into reality.

The Harvard group believes that donors should not give up too quickly. Perhaps the other side of the coin is the issue of fads in development theory and practice; fads evolving from, in this case, American needs, not foreign circumstances. To sell a foreign assistance program to the Congress, for each new administration to feel that it has made its mark, and indeed for each new mission director to have his or her place in history, each wants something new. This not only reflects bureaucratic and personal needs, but it may also reflect an American problem--a short attention span on issues so complex that they have no clear, easy, or technological solution. The U.S. needs staying power at all levels.

G. The Priority of Economic Policy and Legitimacy

In their studies, the Harvard team notes that a developing nation needs to accept economic development as a high priority. Expanding on this concept, the studies point out that the legitimacy of the Park government, having come to power in a military coup--an event both rare, if not unprecedented, and inappropriate in Korean history and culture, and an anathema to the Confucian-oriented elite and literati--had its legitimacy grounded in economic performance. The legitimacy of the Chun regime may turn out to be quite similar. As a result, economic development received the high priority attention of the president personally, and in that type of society, the bureaucracy responded with alacrity.

Although typologies can be simplistic and even misleading, it may be possible to categorize governments into those that derive their legitimacy from economic development (such as Park's), and those that derive it from independence struggles, nationalism (for example, Rhee, in Korea; Sukarno, in Indonesia; Kenyatta, in Kenya; U Nu, in Burma; etc.), ethnicity or other factors. Those that belong to the latter category are likely to regard economic development as a rather low priority in terms of the maintenance of their power, the cardinal focus of most governments, and thus development policies may be neglected.

H. Focus on the Economy as a Whole

The Harvard studies note another important lesson, i.e., the need to focus attention on the economy as a whole rather than on individual sectors or on a particularly disadvantaged group. An example is the trade unions in Korea. They were regimented and could not strike, but as the economy as a whole grew, wages did rise. To have concentrated attention on the urban worker or other such segments of the society might not have been as productive.

This concern for a holistic approach to the economy is substantially different from the Country Development Strategy Statement as presently operational in AID. That document analyzes the poor, and then describes why they are poor, and what could be done to help them. Had the U.S. concentrated on the rural sector in 1965, with a limited impact on policy, Korea's growth may have been more equitable earlier, but may not have grown so rapidly. This point leads to a related problem--to concentrate on the economy as a whole means essentially to concentrate on policy formulation. The Harvard studies demonstrate that Korean policy formulation was in general probably no better or worse than many developing societies. What distinguished Korea from other nations in this regard was the stress on implementation, which was very effective through a variety of means.

The summary volume makes the opposite point, "It is by no means true that any less developed country by adopting a similar set of policies could achieve the Korean growth rate."^{93/} A lesson from the Korean experience may be, therefore, that the rhetoric of planning documents and policies should be taken with a case, not a grain, of salt (e.g.: Daoud's emphasis on the rural poor in Afghanistan about 1976 had little meaning), and more attention given to how nations implement their plans.

I. Tactical Lessons--The Positive-Sum Game

The Harvard studies draw some tactical lessons from Korea as well. Too often foreign aid in a phase-down or phase-out mode is involved in a zero-sum game, rather than a much more preferable positive-sum one. That is, the donor, to elicit more support for projects from the host government, says in effect: if you do more, we will do less. This is destructive of the relationship between the two nations. What might be required for specified periods is for the donor to do more if the recipient also does more. This is likely to produce a more favorable response at the project level, and also generally better governmental relations. Thus, a phase-out program might involve higher levels of support for a short period. This is not the normal pattern of assistance as practiced by AID, but one that might well be considered.

^{93/} Ibid., p. 471.

J. The Effectiveness of U.S. Technical Assistance and Training

How effective has U.S. technical assistance been? During the panel discussions held on April 24, 1981, no overall conclusions were drawn by the Harvard group. Yet in reviewing the volumes, it is probably fair to say that it was more effective at the project level than in policy formulation. It was also better in highly specialized fields than on broader issues; for example, in advisory services on interest rate reform in the 1960s. In other areas, it was of marginal utility, sometimes because foreigners did not understand what might be done within the Korean context. In education, there was ignorance of Korea's real problems at the elementary level. Also, in higher education U.S. assistance failed to meet Korean needs.^{94/}

Early efforts at educational reform such as decentralization of educational planning, more local involvement, teacher training, democratization of education, and efforts at community development in the 1950s basically disappeared with little trace, and seem to have no or little influence on policy. Specific projects may have worked, however. (An untouted success was the Peabody College technical assistance in library training, to pick an example from personal memory.) Since the team noted that Korean economic planning was about average, and that foreigners constantly underestimated Korean potential, their advice was positive in terms of encouragement, but otherwise of limited import.

Much more important than the technical assistance in education in Korea was the training of Koreans abroad. The numbers who went for both short and long-term training under AID auspices is unclear, but it was in the thousands, mostly to the United States. Thousands of Koreans were also trained by the U.S. military in this country, and additional thousands went with their own family's funds (thus translating traditional elite status into modern prestige). Perhaps this was the most significant contribution of the United States to Korea in the form of technical assistance. Its contribution to Korean development, however, is undocumented in the Harvard studies.

This deficiency in the studies, as well as other omissions, may be traced in part to the organizational structure of the volumes. Studies that were conceptualized differently, such as ones devoted to technical training, technical assistance, the role of the military, might have been useful supplements to the more traditional sectoral approaches that have appeared.

K. The Role of Foreign Assistance

Could the Koreans have achieved the development successes they did without the U.S.? The answer is probably "yes" after the trauma of the Korean War and the early recovery period, but at a slower rate. The role of the U.S. was critical to the survival of Korea from 1945 to 1960, let alone for its continuity as an independent nation. After that, U.S. assistance was useful but peripheral. In fact, as development proceeded at a rapid rate, U.S. foreign assistance, which had long gestation periods for projects, was a retarding factor on Korean performance, an interesting commentary on foreign assistance. In addition, it can be said that although Japanese

^{94/} McGinn et al., Education and Development in Korea, p. 97-98.

public and private assistance was important to Korea after normalization of relations in 1965, it too was not the determining factor. The Koreans attained the economic growth they have achieved basically on their own.

L. Discontinuities in Development

The Harvard study also demonstrates that, as it specifically states, economic development, while in part dependent on political factors, is not to be equated with political growth. If Korea can be considered an economic success, its political institutions and history are still very much in doubt. Development does not necessarily progress in an even flow across disciplines.

The Harvard studies continue: "We have argued that, during a period of rapid economic growth, the existence of an authoritarian government accepting economic development as its first priority, able to maintain economic stability, and capable of making difficult economic policy decisions, and implementing these decisions has been a positive factor in promoting growth."^{95/} That analysis concludes on an ambiguous note: "Whether government could maintain a similar degree of authority in an increasingly complex economy and society, whether, if it did, it could still be a generator of growth, or whether, if authority is more broadly shared, the conditions of growth could still be maintained are not questions that we are prepared to answer."^{96/}

This writer believes that the case for authoritarian governments has not been proven. It is obviously easier to work in an atmosphere in which intelligent economic decisions can be made efficiently, but the dangers of this process both at the time and in the inevitable future transition to a new leadership are so great that an authoritarian model is more susceptible to internal pressures from either the right or the left.

There was no single explanation for Korea's economic success. One of the Harvard studies somewhat equivocates: "Any single-factor theory of development is myopic, but if one wishes to focus on a prime mover, then entrepreneurship is a likely candidate."^{97/} It was, however, not improvement in the interest rates thereby mobilizing local capital, literacy, an expanded educational system, U.S. assistance, or more realistic exchange rates. Success was a compilation of historical factors, pragmatic policies, effective implementation, and foreign assistance among other things. Each was important but perhaps the gestalt was greater than the sum of any of the individual components.

^{95/} Mason et al., The Economic and Social Modernization of the Republic of Korea, p. 495.

^{96/} Ibid.

^{97/} Jones and SaKong, Government Business and Entrepreneurship in Economic Development: The Korean Case, p. 167.

M. Korea as a Model for Private Sector Development?

The current search in the United States for models of successful private sector-led development often leads to Korea. A natural assumption because of the magnitude of U.S. involvement, the growth of Korean exports, and extensive Korean involvement in international contracting, the tendency to proselytize using the Korean case should be avoided.

The Korean private sector experience is a very special blend of government intervention and private growth. With complete domination of all the credit mechanisms, internal and external, by the government, with its ability to set quotas for export performance, to punish companies by denial of credit if these targets were not met, to appoint and dismiss key staff, to regulate and control all business at even the most modest level, and with a major share of investment (30 percent) in the public sector, Korea is anything but a model for private-sponsored growth. The development of an autonomous, powerful business community has not occurred in Korea, for such growth would have engendered the proliferation of diverse centers of political power, a situation that no Korean government, classical or modern, at any stage in its development was prepared to tolerate. The Harvard studies amply illustrate the folly of using the Korean model in extolling the advantages of private sector growth. In fact, it could be argued that the Korean model, if it demonstrates anything, shows that government intervention into the private sector has been as profound, pervasive, and all encompassing as in many socialist economies. A laissez-faire economy it is not.

N. Lessons From the Study

If there are ambiguous lessons from the Korea experience, then what lessons can we learn from the process of doing the study itself? Here the lessons seem clearer. One of the more generalizable lessons from the overall development experience is that single-sector interventions without consideration of the total socioeconomic and politico-cultural milieu are unlikely to have a major impact on the society in the manner originally intended. So too, single-sector analyses often lack the breadth to provide clues as to what might work in other societies. The Harvard-KDI Korea studies avoid this error in large part by the broad scope of their analyses. Together they form what is probably the single largest and most comprehensive effort to explore the development process in any society in the world.

These studies are an important step in the clarification of the development process in Korea. They are strengthened by the close collatoration of the Korea Development Institute (KDI) with Harvard, as the former provided a corps of talented scholars intimately acquainted with the Korean scene with access to Korean source materials. The KDI-Harvard connection, which dates back to the formation of KDI in 1971, is thus a major strength of the study, but one that is partially offset by problems that occur when a parastatal organization in a centralized, controlled nation attempts to examine dispassionately a process that was at the heart of national policy. In general, however, that effort was accomplished with considerable objectivity and acumen. The constraints of the KDI relationship are probably

more evident in what was left out (North Korean rivalry and influence, the role of Japan, the Vietnam War, etc.).

A more important limitation of the studies was the sole focus on economics. This was, however, natural given the orientation of the donor and the researchers; the lack of catholicity on the part of the sponsor should not be blamed on the recipients. Yet this emphasis on a variety of economic analyses created a number of important gaps. The broader employment of sociologists, anthropologists, political scientists, historians, and geographers would have given further depth and scope to the studies.

The omission of several critical, but indirect, topics influencing Korean development may be traced to the absence of such specialists. There is, first, the lack of any detailed study of the role of the military in Korea in terms of their leadership patterns, social origins, and groups and cliques that may have affected their outlook and influence on the development process. Since the military in the past two decades has been a major avenue of social mobility in Korea, and are now pervasive in the civilian sector, this is a major hiatus in the research effort. In retrospect, the period since 1961 may eventually be considered as a critical change in Korean social structure because of mobility through the military channel. In addition, the effects of military-learned skills, procurement, and defense spending on development are basically ignored. The importance of the subject warrants a separate volume.

Externally, there is an important gap of substantive discussion of whether the indirect role of competition with North Korea may have affected the establishment of development priorities and the urgency with which development was pushed by the military. We have already noted the dearth of material on post-colonial Japanese influences and the Vietnam War.

More attention might have been given to questions of energy, which had become a problem in Korea by 1973, and to technology, which basically was ignored. Admittedly, technological aspects of development did not seem to loom large at the earlier stage of development, but may assume greater proportions in the future. There is the further problem of timing. Korea entered the period of export growth at a time when world market conditions were propitious. Any other nation following a Korean example would have to take into account a world recession, oil pricing problems, increased international protectionism, and indeed the factor of Korean success. The competition for access to the export markets is now more intense. This subject was essentially ignored. Any future study will have to deal with the problem of timing.

There are few, virtually only one or two, references to the role and status of women in the studies, and this is an aspect of development that should not have been ignored. These aspects of the development process should be included in any future work commissioned by AID.

The use of the term "modernization" as the title to all of these studies raises the issue of whether that was the most apt word. Moderni-

zation and westernization are equated in the study, but the evidence from the Harvard series is that traditional components of education, politics, leadership, and in a variety of other fields, as well as the continuity of the Korean tradition as a whole, remained or were strengthened, and thus this gives one pause in the use of either term except in export growth. "Economic development" might have been a better choice, in spite of inadequacies of that phrase as well. Modernization of an export economy should not carry the implication that this relates to other fields or aspects of Korean life.

The writer's conclusion is that national studies of development are important and, if properly designed, could be helpful in policy formulations. They must be broadly based, and not limited to goals in a single sector or the activities of a single donor. AID might consider the support of additional national studies, recognizing, however, that the attribution of developmental success to the activities of a single donor is likely to be intellectually murky.

Another aspect of support for such studies is the issue of whether they should be of the magnitude of the one under review. The major conclusions of the Korea studies and the lessons learned from them could probably be gleaned from a much shorter, less expensive study using country specialists on the order of an AID impact evaluation. Such a study might be completed by two or three people over a six-month period. AID should explore such a possibility and experiment with such a model.

O. Korea Sui Generis?

This brings us full circle to the original question: is Korea sui generis? No clearcut answer is possible. There were certain distinctive factors in Korean history and culture, such as the relative homogeneity of Korean society. There were also factors found within the Sinitic societies and in the role of massive foreign assistance as well. There were also factors, impossible to quantify, related to the threat from North Korea and the need for legitimacy on the part of the Park government. As Dr. Johnson said, "Depend upon it, sir, when a man knows he is to be hanged in a fortnight it concentrates his mind wonderfully." North Korea and legitimization did concentrate the corporate Korean mind on economic growth.

Although Korea is not necessarily sui generis, it is also not a model for total emulation by other nations, nor in the formulation of policy by donors. What Korea has done, however, can teach us about some of the pitfalls of development as well as some of its attributes. It can sensitize us to what we can and cannot expect in the development process. It is up to both donors and recipients to ingest the Korean experience, drawing on it for both positive and negative lessons. It is difficult to ask more than that from the experience of any one country and from any single set of studies on it.

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