

How Can East Asia Culture Tradition Foster a Rapidly Growing Economy

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Abstract. The important influence of culture on economy lies not only in its direct influence on the behavior pattern of economic individuals, but also in its influence on the performance of official systems. Culture is the foundation of official systems and one of the basic conditions for their success. Confucianism originated in China and gradually spread to Japan, the Korean Peninsula and Vietnam. Over the course of thousands of years, it has perfected itself and expanded its influence across a vast area of East and Southeast Asia, forming the cultures and traditions of those regions. The rapid and unprecedented economic success of East Asia, including South Korea, has led scholars to tend to study East Asian economic development from a cultural perspective, recognizing that economically successful East Asian countries are all influenced by a common culture of Confucianism. Taking South Korea as an example, this paper selects two characteristics of East Asian culture, big government and emphasis on education, and analyzes that East Asian culture and values not only adapt to modern economy, but also foster a rapid economic growth.

Keywords: Culture tradition; values; economy development.

1. Introduction

A country's prosperity, or quality of living, depends on the productivity it achieves with its human resources, natural resources and capital. Productivity determines the sustainable level of income and the rate of return on capital, which determines a country's per capita national income.

A few years ago, it was widely believed that a country's prosperity depended on whether it had natural resources such as land and minerals and an adequate labor force, giving it a comparative advantage over countries with fewer resources. However, in the modern global economy, companies can obtain resources cheaply from anywhere, which makes natural resources themselves less valuable [1].

As the basis of wealth, comparative advantage has given way to competitive advantage long time ago, which is the ability to mobilize resources to create valuable products and services at superior productivity. The basis of competitive advantage lies in knowledge, investment, wisdom and innovation. As long as a country's enterprises can develop more mature sources of competitive advantage, they can have higher productivity.

While global convergence around productivity paradigms is advancing, cultural differences remain. A number of Korean scholars believed specifically during the 1980s and 1990s that culture contributed considerably to economic progress over the three decades from 1961 [2].

The values commonly recognized by the people of different countries and the professional attitude adhered to by the staffs of an enterprise cannot be quickly replicated even under the context of economic globalization, and of course, they can't be aligned with in a short time.

South Korea is in the south of the Korean Peninsula, across the sea from China, and has been influenced by Chinese culture for a long time in history, forming the tradition of big government and the concept of valuing education in the whole society. These characteristics still exist today, they have had an impact on economic construction, and will continue to affect the Korean economy now and in the future. The purpose of this article is to analyze how these cultural traditions foster a rapidly growing economy.

The exposition presented in this paper is organized as follows: The first section briefly describes the Korean economic miracle, that is, the rapid growth of the economy, followed by the second

section on the Korean government's economic leadership, especially in the 1960s and 1970s to guide exports and set the direction of industrialization; The third section reviews the development of Korean education and shows the close relationship between the development of Korean education and economic progress. Finally, what are the problems caused by the government's deep intervention in the economy? The second part explores the historical and cultural roots of the big government phenomenon and the principle of education priority in the course of Korea's economic development.

2. History of South Korea's Economy

2.1. Economic Miracle

Over the past sixty years, Republic of Korea's economic development has achieved unparalleled achievements. Throughout the 1950s, South Korea was one of the most backward countries in the world. In 1961, former South Korean President Park Chung-hee's first year in office, the country's GDP was \$2.42 billion, and its GDP per capita was just \$94. In the same year, the Philippines had a GDP of US \$8.71 billion and a GDP per capita of US \$278. Although the Philippines' GDP did not exceed \$10 billion and its per capita GDP did not exceed \$300 throughout the 1960s, the Philippine economy was still higher than Korea's in 1969 in these two basic but fundamental economic statistics. After World War II, South Korea was extremely poor, with a weak industrial base and a lack of natural resources, on the front lines of the Cold War, and in a tense geopolitical situation.

South Korea's nominal GDP grew by an average of 9% per year in 30 years from 1961, from US\$ 2.42 billion in 1961 to US\$ 330.65 billion in 1991, achieving the trillion-dollar milestone in 2006. GDP per capita grew from \$ 93.8 in 1961 to \$6610 in 1990, exceeding \$20,000 in early 2000s. The manufacturing industry sector increased from 14.3% of the GDP in 1961 to 35.0% in 1990. Value of merchandise trade grew from US\$ 480.4 million in 1962 to US\$127.9 billion in 1990. The savings rate rose from 8.2% of national disposable income in 1961 to 37.8% in 1990.

Korea's path of economic progress can be summed up in two words: industrialization and globalization. In 1953-1960, the share of the secondary industry sector (manufacturing, construction, mining and utilities) in gross value added was 17%. By 1981-1990, that share had more than tripled to 38% and remained at that level ever since. The service sector's share of gross value added has also grown from 41.1% in the 1950s to 59.6% in the 2001-2010. In stark contrast, the share of agriculture in total value added fell sharply during the same period, from an initial 42% to 3%. Changes in South Korea's total import and export trade show that with the rapid industrialization process, South Korea's pace of integration into the global economy has greatly accelerated, and the share of its total foreign trade in GDP has increased from 10% in the 1950s to 80% to 90% now. Cross-border capital flows also grew rapidly during this period.

The process of South Korea's economic industrialization is deeply influenced by the trend of globalization. International trade provides a huge international market for Korean manufacturing. This allows them to import semi-finished products and at the same time introduce the advanced technology needed to produce products for export. At first, the international division of labour fueled rapid increase in labor-intensive industries where South Korea had this comparative advantage. These light industries absorb superfluous labor from rural areas, raising South Korea's per capita income and increasing the savings rate. Later, the accelerated pace of capital accumulation shifted South Korea's comparative advantage from labor-intensive to capital-intensive industries, which came to dominate industrial production and exports. With productivity increases, South Korea's per capita income continues to grow rapidly.

In terms of nominal gross domestic product, South Korea's economy was worth about \$1.67 trillion in 2022, making it the fourth largest in Asia and the 12th largest in the world. South Korea's rapid growth from one of the most backward and poorest country to a well-developed, affluent country in just thirty years is remarkable. This economic growth became known as the "Miracle on the Han River."

The United Nations Conference on Trade and Development has classified Republic of Korea as a developed economy. This is the first time the United Nations agency has upgraded the development status of a member state since its establishment in 1964. South Korea was reclassified as a developed country by the International Monetary Fund in 1991, and that by the World Bank in 1996, Korea is undoubtedly a country with strong economic influence, its electronics, automobiles, shipbuilding, entertainment and other industries occupy a dominant position in the world.

2.2. Government-led Economy

As everyone know, a policy of export-oriented industrialization was performed by the new South Korea government since 1961. However, the Park Chung-hee administration did not aim to establish a free market economy at the same time. Instead, the government guided the production and export of enterprises. For example, the government set the total export target for each year by summing up the export forecasts of each enterprise. Second, the government holds monthly export expansion meetings, which are mainly attended by government officials and business representatives, during which they jointly monitor export performance, compare it with export targets, identify problems and propose solutions. Third, the Korean Businessmen Association and the Korean Promotion Agency were established. Korea's trade promotion agency is mainly responsible for building overseas trade networks, helping domestic enterprises to explore international markets and collecting overseas market information.

The Korean government not only carefully guides the economic activities of enterprises, but also adopts many measures to promote exports, including: (1) exempting exporters from direct taxes; (2) raw material imports loss compensation; (3) Exemption from tariffs and indirect taxes for export suppliers in South Korea [3].

From a macro point of view, South Korea is a typical country that has adopted an export-oriented strategy, which seems to be the same as Thailand, Malaysia and other countries that were once developing countries, but carefully observed, South Korea's export commodities changed greatly every ten years. In 1970, South Korea's top three exports were textiles, plywood and wigs. Last year, the top three exports were integrated circuits, machinery and cars. In other developing countries that started at the same time as Korea, light industrial products such as food and textiles are still forefront at list of exports.

In 1973, former South Korean President Park Chung-hee announced at a New Year's press conference that "the government will implement several industrial projects to promote the development of heavy and chemical industries" [4]. By 1980, to achieve the goal of annual exports of US \$10 billion, heavy industry and chemical industry exports must account for more than 50% of total exports. In the future, the government will promote the construction of steel, shipbuilding, and heavy chemical industries, and strive to promote exports and achieve export targets. Shortly thereafter, the government established the HCI Drive Committee, which in June of the same year drew up plans for the construction of heavy and chemical industries. The plan aims to attain a per capita national income of \$1,000 and exports of \$10 billion. By deepening industrial development and upgrading the export structure, the proportion of heavy industry and chemical industry in the gross industrial product increased from 35% in 1972 to 51% in 1981, and the export share of heavy industry and chemical industry products increased from 27% in 1972 to 65% in 1981. In order to achieve this goal, the South Korean government selected six industrial sectors - steel, non-ferrous metals, machinery, shipbuilding, electronics, and chemicals - as strategic industries to support. Due to the impact of the first oil crisis, this plan was a little modified in the Fourth Five-Year Economic Plan (1977-1981), and most of the rest was implemented steadily until the introduction of the Comprehensive Economic Stabilization Measures in April 1979.

The implementation of heavy industry and chemical industry policies is the product of different factors. First, the government urgently needs to strengthen the defense industry to strengthen South Korea's self-defense capabilities. Secondly, heavy industry and chemical industry are considered to be the necessary way to achieve the upgrading of industrial structure, find new export growth points,

and thus maintain the leading position in the newly industrialized countries. Policymakers believe that the construction of the heavy chemical industry can give new impetus to economic growth [5].

The Korean government has adopted various measures to support the construction of the heavy chemical industry: (1) long-term credit support and tax incentives for selected industrial sectors; (2) Establish and expand vocational schools and various training centers to train professional personnel; (3) Establish government-funded research institutes to engage in research and development activities as public institutions.

One of the most important means is the credit support policy. Through the control of financial institutions, the government can provide a large number of targeted loans to relevant industrial sectors at very low lending rates. The National Investment Fund, established in 1974, had played a vital role in the credit support policy. Financial institutions such as banks, public funds are asked to lend a fixed amount of money to state investment funds. The State Investment Fund, in turn, lends these deposits to financial institutions for longer periods (in some cases 8-10 years) and at a lower interest rate (5% points below the pre-1982 long-term bank lending rate). Between 1974 and 1991, 80% of lending went to policy banks, 17% to commercial banks and the remaining 3% to regional banks. From 1974 to 1981, 62% of the loans of the State investment Fund were allocated to the Korean Development Bank, and 57% of the facilities loans of financial institutions were provided by the bank. In the late 1970s, as large industrial parks were built across the country, that share reached 70%.

In addition to direct credit support, the government also implemented various tax incentives for the heavy industry and chemical industry. It is estimated that during the peak period of heavy industry and chemical industry construction, the marginal effective tax rate of heavy industry and chemical industry is lower than that of light industry.

Also noteworthy is the South Korean government's funding of research and development activities in the public sector. Throughout the 1970s, South Korea's combined spending on technology research and development by various sectors and private institutions was well below 0.5% of total GDP, far below the current level of 3%. In more than 40 years of development, the public sector has played a major role, shouldering 50-70% of research and development expenditures. The government has established a number of research institutes whose main task is to introduce advanced technologies from developed countries, adapt them to their own conditions, and introduce them to domestic enterprises.

The evaluation of heavy industry and chemical industry strategy by different scholars is inconsistent. Some scholars believe that heavy industry and the chemical industry actually cause overcapacity. From 1975 to 1980, the equipment utilization rate of the three industries of machinery, electronic instruments and transportation equipment was only about 50%, which was much lower than the average equipment utilization rate of the whole manufacturing industry, which was more than 70%.

Some scholars criticize Korea's industrialization strategy as having a negative effect on other aspects of the national economy. For example, a large number of policy loans led to the accumulation of bad debts of enterprises; The industrialization of heavy industry and chemical industry was the engine of the economy, but it benefited the chaebol and further strengthened their economic power.

Other scholars, however, believe that industrialization strategies for heavy industry and chemical industry should be evaluated from the perspective of dynamic comparative advantage theory. They believe that Korea was able to take full advantage of low crude oil prices and low international interest rates in the mid-1980s because the industrial base was established during the implementation of the heavy chemical industry policy, which provided opportunities for the optimization and adjustment of the industrial structure and the upgrading of the export structure.

2.3. Education Development

Sustained economic progress is achieved by a higher quality workforce and a larger pool of professionals. Even in the beginning of labor-intensive industries, scientific management and well-trained workers will help improve product quality and reduce production costs. On the way to seek

the upgrading of the manufacturing industry, the role of scientific and technological talents is absolutely Paramount. Widespread basic education and higher quality education are the basis for all this.

Just a year after the end of the Korean War, the South Korean government began implementing a six-year compulsory primary education plan. In 1959, the enrollment rate of primary school students in South Korea reached 96%. The five-year Plan to eradicate illiteracy, led by The Ministry of Education, Domestic Affairs, The Ministry of Health and Welfare, has made significant progress. The illiteracy rate in Korea plummeted from 78.2% in 1948 to 4.1% in 1958 [6].

For purpose of reducing the burden on primary school students to take the entrance examination, the government decided to abolish the entrance examination system for elementary schools to middle schools, which was first piloted by the government in Seoul in 1969 and fully implemented in other cities from 1971. This had led to a substantial increase in the quantity of junior high school students, as well as an increase in the quantity of students entering senior high school. However, since then, the competition for admission to elite high schools has become fierce, and the government enacted the “High School Equalization Policy” in March 1973, which allocated junior high school graduates to senior high schools by lottery. The policy was first implemented in two cities, Seoul and Busan, in 1974, and then gradually expanded to other districts. Another benefit of such policy is to encourage more junior high school graduates to study in senior high schools.

In the 1960s, the rapid development of the Korean economy prompted the government to formulate a series of higher education plans, which were in line with the economic development plans of the time. The key goal of higher education has changed from the training of national administrative elites to the systematic training of diverse talents capable of supporting economic development. Since 1968, the government has succeeded in increasing the number of students majoring in science and engineering over those majoring in the humanities and social sciences by implementing a quota system for university admission.

Today, universities such as Seoul National University, Yonsei University, Sungkyunkwan University, and the Korea Advanced Institute of Science and Technology have a high reputation around the world and send a large number of high-quality talents to the Korean society every year.

Steady and persistent growth in the number of well-educated citizens over the past 60 years has been a key factor driving South Korea's industrialization and democratization. Without a high-quality labor force, it would be difficult for Korean products and services to build an advantage, and there would be no miracle on the Han River.

The rapid increase in the popularization of education in South Korea is mainly attributed to the values of the whole people attaching importance to education and timely government policies. South Korea has long had a tradition of giving priority to education, and the government has made efforts to develop education, initially focusing on basic education and then gradually on higher education. This educational development process perfectly matched each stage of Korea's industrial development. While primary education first provided a pool of qualified workers for labor-intensive industries in the 1960s, the expansion of higher education laid the foundation for the knowledge economy [7].

2.4. Failures During This Process

Looking at the 60-year history of South Korea's economic development, finding that the overall success of South Korea's economic development cannot cover up its failures that led to a series of problems. Since the 1960s, the South Korean government has implemented restrictive policies on the financial industry, which hindered the development of the financial industry. Many large conglomerates, the so-called chaebol, grew in influence with the support of the government, and economic centralization became a serious economic and social problem. Moreover, South Korea had not been able to establish good industrial relations until the frequent and disruptive labor movements of the mid-1980s.

The government frequently rescues large, troubled companies from the brink of bankruptcy, and this repeated market intervention reinforces the no longer an appropriate principle named “too big to fail”. Coupled with ultra-low rate of interest since the 1960s, this risky partnership between the government and private enterprises encouraged financial institutions to lend excessively to the private sector. From the 1970s to the 1990s, the ratio of corporate debt to net assets fluctuated between 300% and 400%. The amount of non-performing loans in banks has reached a considerable scale, and the ability of the financial sector to withstand external shocks is increasingly fragile.

The 1997 Asian financial crisis of 1997 acted as a catalyst to address many of these issues. Many chaebols went bankrupt during this period. The government-led restructuring of the market has significantly improved the financial health of the banking sector [8]. The external liberalization of the financial sector, particularly the opening of the capital market, accelerated the process of Korea's integration into the world economy [9]. The liberalization of financial markets was accompanied by an updated and strengthened regulatory regime and competition policy, and a more modern economic system was finally functioning.

3. The cultural Roots of the Economic Development Model

Korea's big government and education priority have historical and cultural roots.

As early as the Goryeo Dynasty, Confucianism existed on the Korean Peninsula as a guiding ideology for governing the country, but it was not rooted in Korean social life. In the ideological field of the late Goryeo Dynasty, the old Confucianism was lifeless; Buddhism had become increasingly corrupt and can no longer play the role of saving the country and cleaning up people's hearts; Taoism was also secularized, which led to the prevalence of blessing belief and religious superstition in Korean society. Under the background that the social order needed to be integrated and the ideological void needed to be filled, Neo-Confucianism was introduced into Goryeo and spread, gradually taking root in the Korean Peninsula with the propaganda of the Korean elite intellectuals, and later became the only official school of the Joseon dynasty [10].

The Joseon Dynasty was the first period in which ancient Chinese culture was systematically adopted to rule the Korean Peninsula. Joseon Taejong was the first Joseon king to be conferred by the Ming Dynasty, and the Joseon Dynasty maintained a stable suzerain vassal relationship with the Ming Dynasty for more than 200 years. Through a series of reforms, Joseon Taejong established the social foundation of the Joseon Dynasty as a centralized state that revered Neo-Confucianism.

The political structure of the Joseon Dynasty is centralized, and the central government of the Joseon Dynasty almost completely follows the official system of the Ming Dynasty, creating a large and complex bureaucracy to manage the Korean society in detail. The administrative force in South Korea has played a more prominent role in economic development over the past 60 years than most governments in other parts of the world, which originated in the Joseon Dynasty [11].

The tradition of attaching importance to education in Korea originated from the Goryeo Dynasty. In 958, Wang Zhao, the fourth monarch of the Goryeo Dynasty, created the imperial examination system of Korea in imitation of China. In 1392, the Joseon Dynasty replaced the Goryeo Dynasty, and further developed the imperial examination system. This examination system from ancient China was the fairest system of talent selection that could be adopted in ancient times. It enlarged the scope of officer selection, improved the quality of the bureaucratic group, and promoted social mobility. As in China, the imperial examination system has instilled a value in Korean society that values education [12].

During the Japanese colonial period, the Japanese administration suppressed the native Koreans, and senior administrative positions were monopolized by the Japanese, many industries were forbidden to Koreans. Studying is the only way for Koreans to improve their lives.

The imperial examination system that lasted for more than 900 years and the difficult times of modern times make this value of education first have two characteristics: Education first is the consensus of the whole Korean society; Both rich and poor families put education in a very high

position, investing mass money and time in the hope of getting a better education. South Korea's education construction is almost unconditional, which makes the level of education in South Korea is always ahead of the level of economic development, thus laying the foundation for industrialization.

4. Conclusion

There is no doubt that culture plays a role in economic progress, but how to explain the role of culture while taking other factors into account, and how to highlight the influence of culture alone, is quite difficult.

The cultural traditions of Korean society did not change in 1960, but the fate of Korea changed dramatically in these years. In the 1950s, the government of Syngman Rhee neglected economic development and became one of the poorest countries in the world with the same cultural characteristics and economic aid from the United States.

Today, such cultural characteristics face new challenges, as the domestic market mechanism has become more mature and international competition has become fiercer, the government is required to relinquish some of the power of economic management and perform some other functions.

The government should intervene only in those areas where market regulation doesn't work. For example, support for small and medium-sized enterprises ought to focus on startups that suffer from information asymmetry. At the same time, the government should make further efforts to enhance market competition. Market-led growth is not the same as leaving economic markets alone; instead, governments need to promote competition among firms, to constrain monopolistic, and to protect consumers.

Finally, the Korean government is supposed to value social service function. Social safety nets should reach stratum most in need, especially through labor-market policies such as professional training. Employment services, meanwhile, should offer effectual support to other vulnerable groups such as low-skilled workers.

The culture of East Asia, therefore, cannot fundamentally create a prosperous economy, but help a country that chooses its own development path to generate greater power and accelerate economic growth.

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