

The Influence of Neo-Confucian Theory on Southern Korean Economic Development: An In-depth Analysis of the Relationship between Neo-Confucian Culture and Southern Korean Economy

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Abstract. This article assesses the influence of neo-Confucian theory in fuelling the South Korean economic development. Through an emphasis on the East Asian capitalist model of development encapsulating the interweaving of Confucian ethics and the (universally) revered Western capitalist tenets, this study directs attention to the role of cultural values in economic development. When juxtaposed with the Western model of development, the distinctiveness of the East Asian model of development resides in the fact that it interweaves the central tenets of Confucian ethics to the Western capitalist model of development, forming the basis of the Neo-Confucian theory. This study positions the interconnection between cultural values and economic growth within the divergence of academic scholarship, namely the 'Confucian as an impediment' and 'Confucian as a stimulus' strands of scholarship to equip with a comprehensive understanding of whether culture can function as an explanatory variable for South Korean economic development. The example of Korean chaebols enables readers to equip the knowledge that while culture performs a constitutive role in the South Korean economic model of development cannot serve as the sole factor for propelling the nation's economic expansion. This study envisions bridging the widening gap in the dominant scholarship on the role of Confucianism in South Korean economic development by contending that Confucian ethics as the hegemonic ideology creates a favourable climate for the South Korean economic model to flourish.

Keywords: Neo-Confucian Theory, Southern Korean Economic Development, Confucian capitalism.

1. Introduction

The 1980s characterized by a rapid economic expansion of the East Asian economies propelled a paradigm shift in the academic discussions regarding the interconnection between culture and economic development, debating the role of Confucianism in invigorating this economic success. In hindsight, the economic development of the East Asian economies encapsulates a peculiar process of interaction between the forces of traditional Confucianism immanent in their cultural and social sphere and capitalism [1]. Initially, the penetration of Western capitalist forces in the East Asian economies failed to consolidate their hold owing to the contradiction encountered between (traditional) Confucian forces and (modernity) Western capitalism. However, the re-introduction of capitalism in East Asian economies after experiencing waves of success paved the way for the reconciliation between tradition and modernity, with Confucianism appropriating the central tenets of capitalism to rejuvenate the nation's economic growth [2]. While Confucianism and modernization have predominantly been perceived as incompatible, the waves of economic success and development witnessed in the 1980s directed the attention of Western sociologists and philosophers to an 'indigenized' version of capitalism transpiring in the Korean society, categorized as 'neo-Confucian's theory. Unlike the Protestant work ethic, the neo-Confucian work ethic valorises commitment to a collective entity, be it family, workplace, or the nation. This slight departure from the 'core' (Western) model of economic development and the accompanied establishment and traversing of the path of an indigenized model of development necessitates an intervention in evaluating the interconnection between culture and economic development of Korean society.

This looks into the influence of neo-Confucian theory on the economic development of South Korea, illuminating the history of Confucianism that still the economic, cultural, and spiritual life of the nation. This essay is divided into three broad sections. The first section illuminates the distinctive model of economic development central to East Asian economies that played a constitutive role in rejuvenating the economic expansion of the countries following the financial crisis after the end of colonialism, especially in South Korea. The second section presents a concise overview of prior work undertaken in exploring the influence of neo-Confucian theory in South Korea. Historically, social scientists have undergone a bifurcation over the functional role of cultural values in economic development [3]. The first strand of scholarship argues that the inability of the Korean economy to modernize is the result of traditional Confucian values. Here, Max Weber's work becomes central. The second strand of scholarship perceiving 'neo-Confucianism' as a stimulus to economic development underpins the central goal of interconnecting the 1980s and 1990s economic development of South Korea to the Confucian values of hard work and thrift, elucidating on the instrumental value of neo-Confucianism. Exploration of these two strands of scholarship will help to shed light on how the positive role of neo-Confucian theory in fuelling South Korean development outweighs its failures. Lastly, the paper provides a case study to contextualize the central role of neo-Confucianism in South Korean development through the example of chaebol, which refers to private corporations entirely controlled by family. The paper argues that neo-Confucian played a central role in the post-war modernization of South Korea, with the Korean state leveraging the central Confucian values to intensify the industrialization process.

2. Background on Neo-Confucianism in South Korea

The historical mapping of the percolation of Confucian tradition to Korea from China fails to narrow its radius to one exact date, considering the popularity wielded by the Confucian philosophy till the contemporary date. In this regard, Lew et al roughly the history of Confucianism in Korea by dividing it into two stages [4]. The first stage encompasses the traditional Confucian doctrine, with its central emphasis on ren (humaneness or benevolence), li (ritual norms), zhong (loyalty or true to one's nature), and xiao (filial piety), and the second stage encapsulates neo-Confucianism representing an 'indigenized' model of economic development, providing a critical challenge to the Western model of development. The contemporary context is characterized by the process of 'selective adaption' where the tenets of classical Confucianism are re-interpreted in the wake of a surge in other religions such as Buddhism and Shamanism. As Loy highlights contemporary South Korea is dominated by an 'indigenized' model of economic development wherein the Western values of individualism and profit maximization are revered and promoted while retaining the central Confucian values intact [5]. In this way, neo-Confucianism facilitated a paradigm shift in the traditional cultural and economic values of Korean society, directed towards curtailing the widening bridge between Western work ethics and Eastern (Confucian) work ethics. Moreover, the rise in neo-Confucianism that facilitated a 'distinctive' type of capitalism in South Korea and other Asian economies can be traced back to the waves of economic success and development encountered by these nations, propelling shifts in the way of thinking of scholars who perceived Confucianism as a barrier to economic progress [6]. The economic development of South Korea and other East Asian economies is different from the linear Western stage of development, with the former valorising the values of exhibiting loyalty to the company, collective harmony, and cooperation over the values of egoism and individualism central to Western values. As a result, the role of neo-Confucian values cannot be marginalized when looking into the economic development of the South Korean economy. It becomes imperative to value neo-Confucian values as one of the sole factors that accelerated the economic expansion of the Korean economy, with state-led developmental measures playing a constitutive role in manipulating the Confucian values to facilitate economic development.

The vast and pervasive teachings of neo-Confucianism in South Korea and other Asian economies make it a formidable task to classify the teachings of neo-Confucian values. However, the works of

Sung and Hamilton and Shin become valuable in attempting to summarize the four central tenets of neo-Confucian values [7,8]. Firstly, ‘familism’ is central to neo-Confucian values which implies filial piety, the inherent obligation of the children to respect their parents at every stage of their lives, and sustaining the good reputation of their parents and families. Secondly, the central tenet of the ‘communitarian spirit’ upholds a venerated position in neo-Confucian values [8,9]. The precedence of community interests, from the village organization to the nation takes ascendancy over self-motivated interests, constituting the foundational blocks of Korean society. Thirdly, the principle of self-cultivation through education and training wields a central position in the neo-Confucian values of economic development [7]. Herein, the advocacy is on advancing equitable opportunities of education and social position to all and implanting the vision of economic success to contribute to the overall economic development of the nation. Lastly, hard work and restraining from wasting money on extravagant purchases form the predominant factors in ensuring a life of economic success and contributing collectively to the economic development of the nation [10]. Moreover, the relationship between Confucian ethics and economic development is not a simple cause-and-effect relationship, where cultural values constitute the sole explanatory variable for discussing the rapid economic expansion of the Korean economy [11]. Neo-Confucianism plays the role of a hegemonic ideology, cultivating a favourable social atmosphere for governmental programs of economic development. In this way, neo-Confucian ethics does not operate in isolation from the State-led economic intervention but constitutes the underlying structure of the measures becoming an immanent part of the economic development of the nation.

3. Literature Review

The primary objective of the literature review is to comprehend the influence of neo-Confucian theory on South Korean economic development. To grapple with this central aim, an exploration of the divergent strands of scholarship assessing the interconnection between Confucian ethics and the surge in economic expansion of the East Asian economies will be looked into to comprehend the intricacies and underlying ideologies governing both the strands of scholarship. As a result, the literature review is divided into two sub-sections.

The first strand of academic scholarship comprising the post-World War II modernization specialists perceiving Confucian values as an obstruction to the economic development of East Asian economies dominated the scene in the first half of the century. Here, the work of Max Weber becomes central whose contributions have widely been credited and referenced by the subsequent line of scholars dispelling the explanatory role of Confucian ethics to South Korean economic development. Weber’s work on *The Protestant Ethic and the Spirit of Capitalism* is widely credited because it comprises the first extensive work undertaken in the field of assessing the role of religious beliefs in impelling the economic growth of a nation [12]. Breaking away from the dominant tradition of establishing a causal relationship between religious traditions and economic systems, Weber elucidates on how religious doctrine such as the Protestant-Calvinist doctrine encapsulating the central belief that disengagement from unproductive and frivolous activities was likely to enhance their chances for a life in heaven cultivated a favourable climate for the growth of capitalism in Western economies [12]. Moreover, Weber argues that cultural barriers like the Confucianism philosophy inhibited the potential of the East Asian economies to traverse the same path of economic development as their Western counterparts [12]. The advocacy of Confucian ethics as antithetical to the economic development of the East Asian economies dominated academic scholarship in the wake of the colonization of the developing economies, and the consequent imbalance in power dynamics between the West and the East [13]. In fact, the advocacy of Weber finds its expression in the work of dispelling the claims of the superiority of Asian values through the contention that the model of Western development should be appropriated by South Korea to revitalize its project of economic expansion [14]. Similarly, the findings of Weber and Fairbank echo the central postulations of the modernization theorists espousing the preponderance of rationality, technological development, and

scientific rigor distinctive of the Western economies over religious factors of the East Asian economies for speeding up the development of a nation [15]. East Asian economies such as South Korea should traverse the path of Western development to accelerate their economic development, which is possible only through a diversion from the traditional Confucian values that hinder the appropriation of Western capitalist values.

The findings of the aforementioned literature were challenged when the Korean economy during the end of the 20th century was widely acknowledged for its remarkable model of development with no similar experience of sudden economic expansion evident in other countries, except the Confucian countries. While both works have been widely credited for their contributions to the field of cultural role in economic development, ChaiBong elucidates that the imperialist mentality underpins the underlying structure of their findings, wherein the distinctions between Western and Eastern socio-cultural factors are widely dispelled to naturalize the hierarchization of Western capitalist values over Confucian ethics [16]. This imperialist mentality invalidates the ‘distinctiveness’ of the East Asian economies, and the local factors at play that contributed to the establishment of an East Asian model of capitalist development. The findings of ChaiBong are crucial to the study at focus since they expose the underlying ideologies governing the works of Weber and Fairbank and in the process, shed light on a new wave of thinking emerging in the wake of Korean economic development through the neo-Confucian capitalist model of development.

The neo-Confucian theory emerged in the context of critiquing the findings of Weber who was quick to dismiss the instrumental role of Confucian ethics as the primary driver of capitalism in the East Asian economies [12]. The proponents of this theory articulate that though the underlying structure of traditional Confucian ethics prioritized the cultivation of a traditional society over a capitalist society, the local factors at play underpinning a desire for economic expansion laid the foundations of a surge in neo-Confucianism [17]. The discourse of neo-Confucianism through the interweaving of Western capitalist values of hard work and profit maximization into the traditional Confucian ethics of collectivism and cooperation has propelled the growth of a ‘distinctive’ East Asian model of development. As Pezzutto highlights the Confucian culture plays a fundamental role in consolidating the foundations of a Korean culture premised on the ethics of hard work, discipline, commitment to cooperation and collective orientation, and fostering collectively the economic development of the nation [18]. Moreover, the work of Kim and Park becomes significant in comprehending the percolation of Confucian ethics to the Korean work culture that has ultimately contributed to its economic success [19]. The authors contend that the discourse of neo-Confucianism facilitated transitions wherein the traditional Confucian ethics of collectivism, filial piety, significance of education, and diligence were re-interpreted to constitute the underlying structure of the industrial workplace. As a result, communal or family loyalty transitioned to workplace loyalty, striving for self-cultivation was transformed into working hard to ensure success in the workplace, and domestic paternalism was reformulated to adapt to the dynamic industrial ethos.

Broadening the scope of Kim and Park's work, Liu elaborates that the instrumental role of neo-Confucian values is illustrated in its constitutive role in the government-led industrialization process underpinning the central motivation of capital accumulation [20]. The government-led initiative of Samuel Undong or the Factory New Community Movement which was collectively deployed by several factors positioned the tenets of Confucianism at the center to accelerate economic growth and development. In facilitating the movement, President Park Chung-hee urged “employers to treat their employees like family members and motivate the workers to work diligently for the factory with the perception that the factory is their family business” [20]. The employment of the metaphors of collective orientation and family business in the consciousness of the workers played a fundamental role in evoking a sense of belongingness, wherein the reification of collectivism over individualism is promoted and revered. The findings of Liu reiterate the significance of the neo-Confucian model of economic development that propagates the selective appropriation of Western values without losing sight of their distinctiveness, which is idiosyncratic of the East Asian economies [20].

A chaebol is conceptualized as a family-driven industrial conglomerate distinctive of Korean society. It can be divided into two groups, 'chae' meaning wealth and 'bol' meaning a group or family. Chaebol represents a quintessential case of the selective adaptation and intermixing of Western capitalist values with Confucian ethics to contribute to the economic growth of the nation. As Murillo and Sung highlight Korean chaebol performed a crucial role in revitalizing the growth of the Korean economy in the wake of the Asian crisis, and advanced unwavering governmental support to contribute to the ongoing vision of economic development [21]. Structurally, chaebols constitute a more family-led, hierarchized, and centralized structure that interweave the central Confucian ethos into the work model to propel economic growth. Additionally, the ascendancy of seniority central to Confucian ethics constitutes a crucial part of the chaebol structure, wherein promotion is largely dictated by performance reviews and seniority [22]. Hierarchization based on seniority occupies an immanent part of this structure, and each rank necessitates a certain number of years of seniority. To illustrate, Samsung which is the largest company in Korea in terms of revenue generation embodies this hierarchized model of seniority, owing to the amalgamation of Confucian ethics with Western capitalist ideas of capital accumulation [23]. However, the downfall of the chaebol structure is the reproduction of hierarchies based on familial ties [24]. Family managers are swifter in getting promoted to the executive level when juxtaposed with non-family members. Furthermore, Lee and Lee contend that Confucian thinking in South Korea provides the sub-text for the chaebol structure to operate [25]. Confucian thinking dominates the definitions of mastery, ethics, and morality formulated by an educated person possessing the intellectual and creative capability to run a corporation in South Korea. In this way, the chaebol structure advances an example where the pursuit of rationality and profit maximization are interweaved with the central Confucian values to accelerate South Korean economic development.

While Korean chaebol has undergone transitions in its prestige, with its image being adversely impacted owing to the 1990s Asian financial crisis, its role in propelling economic development cannot be under-emphasized. Korean chaebols such as Hyundai Samsung, and Kia referred to as the 'children' of the Korean economy have received over a decade of unwavering governmental support under Park and Chun's regime in the form of bank loans to accentuate their role in facilitating economic development [8,26]. Government credit functioned as a two-edged sword. On one hand, it provided the means for realizing the international expansion of these conglomerates. and on the other, leveraged control over them by punishing or rewarding the entrepreneurs who succeeded or failed to contribute to economic growth. As mentioned previously, the Confucian values offer a fraction of the reason for the economic development encountered by the Korean economy. While the Confucian values of hard work and collectivism instilled in the consciousness of the employees played a substantive role in cultivating a conducive climate for economic development, narrowing our focus to cultural values obscures the other factors in place such as the continuous governmental aid and measures. In a way, Confucian values were interweaved into the governmental-led measures of development to secure their success in rejuvenating economic growth.

4. Conclusion

In conclusion, the influence of the neo-Confucian model in fuelling South Korean economic development cannot be under-emphasized. The East Asian capitalist model of development diverges from the hegemonic model of the Western capitalist model, often reversed as the sole means to enjoy the fruits of economic expansion. However, East Asian economies present a unique case wherein the central model of development encapsulates the interweaving of Confucian ethics with the Western capitalist ideals of profit orientation to rejuvenate its growth after the financial meltdown. While both strands of scholarship presented in the literature review advance fruitful points to explain their standpoint, the benefits of Confucian ethics, especially neo-Confucian discourse outweigh the imperialist mentality of scholars. Moreover, the case of the Korean chaebol enables people to contextualize an important point that culture forms one of the many constitutive factors that contribute

to the economic expansion of the nation. Conferring cultural values with the sole responsibility of impelling economic growth suffers from the problem of reductionism, wherein institutional contexts and other local factors such as state-led interventions are discredited.

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