

Catch-up economics and authoritarian politics: A case study from South Korea

Xiyuan Wang *

University of California, Davis, Davis, United States

* Corresponding Author Email: 2628660173@qq.com

Abstract. Economic development is of great significance to all countries in the era of globalization. In the history of economic development of various countries, while some countries are still looking for the road of economic development, South Korea has made clear its goals and implemented quickly to make economic development. The economic theory of this is still of great reference to some countries today. In order to study the reasons for the rapid development of South Korea, based on the characteristics of South Korea's Catch-Up economy, combined with the Five-Year Plan and Authoritative Policies, summary and research. This article will use the method of case analysis and comparison, through case description, analysis, deficiencies, suggestions and conclusions to study and analyze the economic development of South Korea. The Korean model can be used for reference, but it needs to be implemented according to national conditions. Not every country is suitable for the Korean model.

Keywords: South Korea; Catch-up Economy; Policy Analysis; Structural reform; Industrial Policy.

1. Introduction

Economic development is of great significance to the present country. With the development of economy, the quality of people's life will be better and better, and the society will be more and more stable. In the history of economic development, some countries have developed more slowly, but Korea has gone from one of the poorest countries in the world to one of the richest in just 40 years. According to the picture, GDP went from below 17,800 in 1950 to over 673,289 in 2000. Academics call Korea's economic process "catch-up economy,".

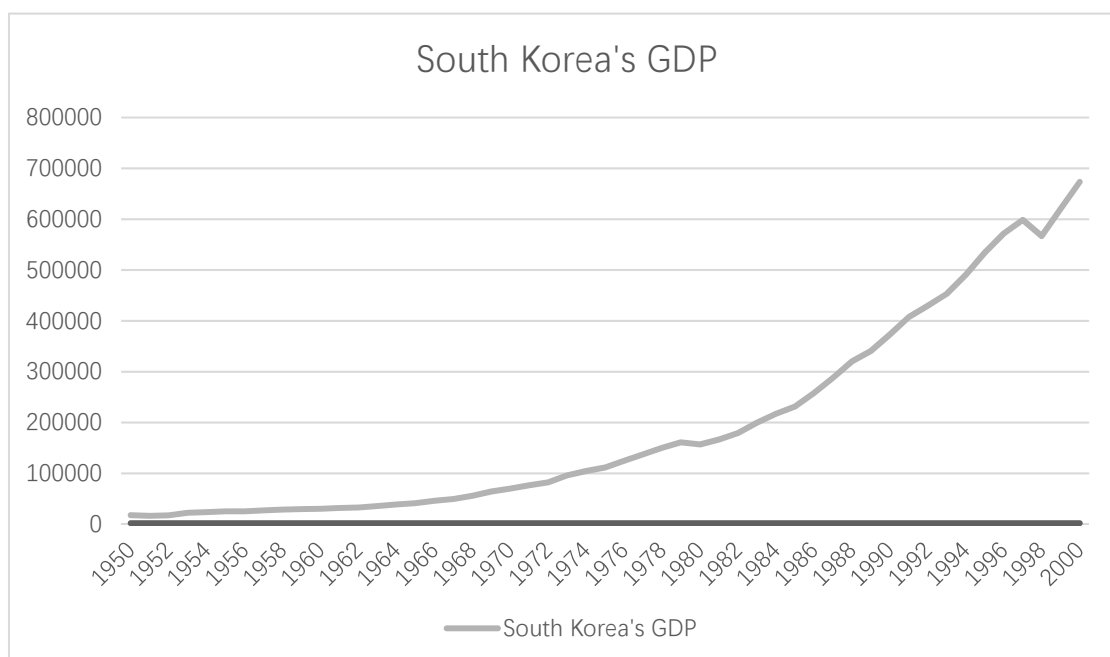


Figure 1. South Korea's GDP from 1950-2000

Source: Maddison Project Database

South Korea faced many difficulties in this period. the area of land and the amount of agricultural production were not enough to sustain the growing population of Korea. Inequality, political instability, and the economic gap with other countries are widening. In addition, World War II and the Korean War in the 1950s brought severe adverse effects on the economy, such as inflation and post-war reconstruction. All this dealt a blow to the Korean economy. Therefore, it is worth thinking about why Korea has developed so rapidly. This article starting from the perspective of public economic policy, this paper comprehensively adopts case comparison and literature analysis to analyze the development of South Korea's economy by focusing on catch-up economy. On this basis, combined with authoritative politics, the structure of this paper is as follows: The first part introduces South Korea's economic model; The second part introduces the characteristics of South Korea's catch-up economy, the third part analyzes the drivers of Korea's overtaking economy, and the fourth part introduces the shortcomings of South Korea's model.

2. The Characteristics of Korea's Catch-up Economy

2.1 The process of Korea's catch-up economy

2.1.1 South's Korea's economic situation before catch-up economy. (1950-1961)

Before Korea's catch-up economy was implemented, South Korea's economic focus was mainly on agriculture. The proportion of agriculture is as high as 45%, but the proportion of the industry is less than 10% . Such a high agricultural share makes South Korea's economy unstable, since the yield of agriculture is closely related to climatic conditions. In the spring or autumn, when the crops can be harvested, food problems are alleviated, the production of crops increases the activity of the market and promotes economic transactions . But in the summer or winter, the weather does not support large crop production, so many people face food shortages, market activity declines, so does the national economy. Also, the agricultural labor force accounts for more than 60% of the total social labor force. Most people's jobs are also tied to agriculture, which, as mentioned before, is also highly volatile. Under this situation, the area of land and the amount of agricultural production were not enough to sustain the growing population of Korea, so the Country faced great economic difficulties during this period. In addition, World War II and the Korean War in the 1950s brought severe adverse effects on the economy, such as inflation and post-war reconstruction. All this dealt a blow to the Korean economy. Accordingly, Korea decided to adjust its national policy and seek a new development path.

2.1.2 South's Korea's economic situation during catch-up economy. (1962-1981)

In order to change the economic difficulties of Korea caused by agriculture and post-war. President Park Chung-hee has proposed a development strategy that puts economy first, growth first, exports first and aimed to catch up with and surpass advanced countries, and with the help of the government, it is promoting rapid economic growth by formulating strategies and implementing policies. This is also the catch-up economy of Korea, South Korea first implemented the industrial development policy and gradually shifted its economic center from agriculture to industry, In the early 1980s, the share of industry in South Korea had decreased from less than 10 percent to 40 percent, and the share of agriculture had decreased from 40 percent to 14 percent, a smaller share of agriculture makes South Korea's economy less volatile than it once was. The export-first strategy also allowed South Korea to open its markets to the outside world, in the 20 years from 1961 to 1981, Korea's export increased by 519.7 times and its import increased by 82.7 times. South Korea moved from a poor agricultural country to an industrial one.

2.1.3 South's Korea's economic situation after catch-up economy. (1982- now)

Korea's catch-up economic policy has brought about great improvements, in 1962, South Korea's per capita GNP was only 83 US dollars, in 1970 it was 243 US dollars, in 1989 it was 5000 US dollars, and in 1996 it was 10,076 US dollars. The increase in per capita GNP made South Korea one of the high-income countries. With the increase of per capita GNP, the country's GDP is also improved, and

the level of medical care, education and insurance is also improved. Unemployment rates have also fallen. According to the chart, the unemployment rate in Korea decreased from 7.4 percent in 1965 to 3.8 percent in 2001, showing a downward trend. According to Okun's law, a country's GDP has a negative relationship with its unemployment rate. When the unemployment rate decreases, the country's GDP will increase. Therefore, Korea's catch-up economic policy has given Korea a clear economic goal and enabled Korea to improve its economy successfully.

Table 1. South's Korea's Real GDP Growth Rate and Unemployment Rate From 1965-2001

Year	Real GDP Growth Rate (%)	Unemployment Rate (%)
1965	-	7.4
1970	-	4.5
1975	6.5	4.1
1980	-2.1	5.2
1985	6.5	4
1990	9	2.4
1991	9.2	2.4
1992	5.4	2.5
1993	5.5	2.9
1994	8.3	2.5
1995	8.9	2.1
1996	6.8	2
1997	5	2.6
1998	-6.7	7
1999	10.9	6.3
2000	9.3	4.1
2001	3	3.8

Source: Bank of Korea, National Statistical Office, Ministry of Finance and Economy, Wharton Econometric Forecasting Associates -Asia Economic Outlook

2.2 The characteristics of Korea's economy

2.2.1 Clear political guidelines

South Korea's agriculture-centered economy from 1950 to 1961 led to the country's economic disadvantage, high unemployment and erratic production of agricultural products left many people without food, and the South Korean economy deteriorated due to the war. In order to improve the national economy, South Korean President Park Chung-hee has decided to implement a five-year plan focusing on catching up with the economy. Between 1962 and 1971, in the article Industrial progress in South Korea, South Korea has two five-year plans to industrialize the country's economy. In the first five-year plan, South Korea focused on infrastructures, such as electric transportation and building materials, "The overall objectives for the combined plan periods can be classified in the following four categories: (1) the increase of industrial production capacity; (2) the development of social and physical overhead capital; (3) the improvement in agricultural productivity; and (4) export expansion." Under this policy, Commodity Exports in South Korea grew from 40 million U.S. dollars in 1953 to 1,132 million U.S. dollars in 1971, During this period, Korea's economy also gradually shifted from agriculture to industry. According to The Economic History of Korea, "The share of agriculture in GDP fell from 45 percent to 25 percent, while the share of manufacturing rose from 9 percent to 27 percent. One important factor contributing to the achievement was that the authoritarian government could enjoy relative independence from and avoid capture by special interests." Through these policies, South Korea has successfully transformed itself from a poor country to a high-income one.

2.2.2 Strong government intervention

The dominant economic development model with strong government intervention. The Korean government in this period carried out the Authoritarianism policy. Dongzheng Shen in article pointed out: "In an authoritarian regime, government intervention has a "coercive" character from the beginning, so much so that some argue that South Korea's state-led model is essentially similar to government regulation of the economy in the wartime economy." Its political characteristics are as follows: one party centralization takes mandatory measures, improves the legal system, fights corruption and promotes honesty, which makes the country politically stable, thus develops the economy and gradually democratizes. The South Korean government, which has tight control over the country's financial system, has overcome the capital shortage by using the maximum amount of limited funds at its disposal, allowing capital to flow into industries at the government's request and allowing the government to intervene in the economy, the South Korean government formulates policies to help industries it deems advantageous and sets up government research and development institutions to provide scientific and technological support for economic development. Park Chung-hee made some policies to support labor-intensive industries and encouraged new enterprises to locate in urban areas with good infrastructure and easy absorption of rural population, which facilitated the transfer of surplus rural labor and the rapid development of new cities[10]. At the same time, the Korean government even directly participates in the overseas marketing activities of Korean enterprises to create an external environment conducive to the development of Korean economy. Unlike the free-market economy and free trade advocated by neoliberal theories, it emphasizes the need for government intervention and limited industrial policies. The strong government was responsible for the high economic growth after 1961. This Government has maintained exceptional political and social stability, and its basic objectives and policies have not faced serious organized challenges, enabling them to be implemented in ways that are difficult or impossible for democratic governments. South Korea's economic development, takes an under the government-led implementation of the capitalist industrialization road, the main features, is on the premise of shall practice a system of private property, highly integrated national power and market forces, the government with the power of the state economic plan, determine the development goal and development direction, and effectively use all kinds of resources, promoting the economy growing at a high speed.

2.2.3 The combination of government intervention and market

South Korea combines state intervention and macro-control with market competition mechanism, and the government intervenes and guides the economy according to the law of the market, which ensures the effective progress of the catch-up economy. Unlike some governments that act above the market, the Korean government intervenes in the market selectively according to the basic principles of the market economy, Park Chung-hee once said that economic decisions "must follow the principle of free enterprise, but it is also necessary for the government to participate directly or indirectly in various basic industries and other fields." [11]. The South Korean government also controls the imposition of import and export tariffs, taxes, subsidies, credit allocations and wages, However, these controls are not intended to distort the market, but to create a free market, and to make policies to fix the market's defects, so that the market will develop in the right direction, which is good for the economy. Therefore, government intervention and market mechanism are not contradictory, and the combination of the two can effectively improve the economic market.

3. Analysis

So, knowing the effect of South Korea's economy, in order to further study how South Korea implements its plan, this paper will analyze the way South Korea achieves economic development from three aspects.

3.1 Authoritarian regimes and stable political structures

Under the authoritarian regime, South Korea's economic development ideology is highly unified. As Dongzheng Shen points out in his article on the characteristics and institutional guarantees of South Korea's catch-up economy during the Park Chung-hee administration: "Authoritarian political rule for a long time, can keep the rules governing idea and the way for a long time of stability and continuity, enables decision makers to focus on the country's long-term interests and overall interests, formulate policy, rather than dwell on some short-term and partial interests, ensure macroeconomic always rapid development towards a goal. " In this case, everyone in the country can work toward the same goal, and the collective strength has enabled Korea to achieve rapid economic development. At the same time, the authoritarian regime also brings certain social stability. The high-pressure government reduces many social turbulences and enables the national research center to focus on economic development. Authoritarian governments follow an "economy first" policy, focusing on key industries that require technology, manpower and expertise, so big companies are naturally preferred. At the same time, the government gave preferential treatment to large companies in taxation, finance, trade policies and other aspects. With the strong support of the government, large enterprises and conglomerates in South Korea actively participated in the industrialization process. Under the pretext and reason of safeguarding national security and preventing the threat from communism, the authoritarian government of South Korea actively constructed an "anti-communist" political ideology system and weakened the political power of the Republican Party. Severe restrictions on labor movements and citizens' freedom of speech; Limiting and suppressing political opponents and strengthening authoritarian governments to ensure the stability of the country by focusing on economic development rather than being distracted by political issues.

3.2 Scientific decision-making and efficient management of the developmental government.

Under the authoritarian regime, the South Korean government is scientific and independent. They will make policies according to the national conditions, which is also known as the developmental government. The government of South Korea adopts hierarchical administrative management. Tasks are issued by the higher level, and then conveyed and executed by the lower level. In this way, the order in the structure of the government is ensured, so that tasks can be completed quickly and efficiently. At the same time, the government also recruited some elites and established an "elite decision-making" mechanism to ensure the scientific nature of the government's economic decisions based on the actual situation. In 1961, Park Chung-hee expanded the government's control over business by nationalizing the banks. He also established the Economic Planning Committee, headed by the vice prime minister and composed mostly of people with business and economic education, to plan South Korea's economy by allocating resources and directing the flow of credit. Through this kind of committee composed of elites, the government makes policies according to the national situation instead of being obstinate in making decisions, which reduces the possibility of some decision-making errors and makes every step plan rigorously. Park Chung-hee's early economic plans emphasized agriculture and infrastructure, the latter closely linked to architecture. Later, the focus shifted to electronics, light industry and heavy chemical industry. Through these strategies, Korea will develop its export economy. Samsung in South Korea is one of the examples. After the Korean War, Samsung mainly produced textiles. During 1970-1980, with the help of the Korean government, it gradually expanded to heavy industry, computer and other industrial products, until now, Samsung has been the world leader in mobile phones, computers and other technologies.

3.3 The government simulates a free market.

The Korean government adopted the free market instead of distorting the market. Instead of controlling the market, the government guided it according to the law of the market to ensure the freedom of the market. The government shall guide enterprises to merge and reorganize in a planned way, consolidate and expand the basis for financial production, encourage and support the development of national industrial finance companies, form economies of scale, reduce vicious

domestic competition and achieve rapid economic development. The number of large national industrial finance companies increased from 5 in 1953 to 1100 in 1990. Dongzheng Shen points out that "The success of South Korea's state-led economic model "hinges on the fact that active government intervention has been aimed at applying a moderate stimulus to the relative prices of goods and factors that is very close to a free market -- as if the government were simulating a free market". South Korea's success in overtaking the economy also proves that government leadership and market mechanism are not contradictory, and can be rationally combined to obtain the maximum benefits. There is a partnership between business and the government in South Korea, because the government manages the decisions of the banks, which guarantees the borrowing funds needed by the private sector, allows the government to approve loans from domestic financial institutions and from abroad, and encourages entrepreneurs to work on major economic projects such as exports.

4. Shortcoming

Although the Korean model was useful for South Korea in the 1960s, it is not applicable to all countries. The success of the Korean model also depended on the national conditions of Korea at that time. South Korea received a lot of help from the United States during the development of the Korean model, according to the article *The Impact of the Korean War on the Korean Economy* "During this period, US aid combined with CRIK (Civil relief in Korea) and UNKRA began to soar from US\$59 million level in 1950 to a maximum level of US\$383 million in 1957. Such a large amount of aid comprised 31.6% of Korean government revenue in 1954, 57.6% in 1955, and 49.2% in 1957." This gives the South Korean government more money to develop the economy and a wider export market. But for the present society, due to the competition in the market, it is difficult to get so much economic aid from other countries. At the same time, because it was after the Second World War, there was a lot of unity in this period, and this national spirit and collectivism also made the government more stable in this period. So, the whole country has a strong cohesive force to implement the Korean model. But for the current country, export competition pressure, and the world is also facing a lot of economic crisis, when the society is stable: "With the dissolution of nationalism and nationalism by globalization, the continuous narrowing of the economic gap with Japan, and the continuous expansion of the economic and military advantages of North Korea, its institutional competitive pressure and legitimacy crisis are constantly decreasing, and the inherent soft constraints of the authoritarian government are gradually weakening." Therefore, the Korean model is not easy for the current countries to imitate. But there are benefits to be learned from the Korean model, such as setting a catch-up target first, and then finding out how to industrialize catch-up according to the national conditions of the country. In the process of imitation, policies should also be formulated scientifically.

5. Conclusions

Korea had a catch-up economy under the Park Chung-hee administration, Catch up with the economy, like its name, means "late-development country under the influence of the strong will to surpass the willingness and, starting to catch up and surpass the country as the goal, the government force as the backing, to quickly implement industry as the main content, through the top design, strategy formulation, policy implementation, etc to promote rapid economic growth, to realize the economic structure of modern economic form." . The success of the catch-up economy in South Korea was also aided by the country's authoritarian politics, Is because of the political authority, the south Korean government "rulers governing idea and the way to keep for a long time of stability and continuity, enables decision makers to focus on the country's long-term interests and overall interests, formulate policy, rather than dwell on some short-term and partial interests, ensure macroeconomic rapid development towards a definite purpose all the time."

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