

Culture, Institution, and Economic Development in South Korea

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ABSTRAK

Sejak 1960-an, Korea Selatan, Hongkong, Taiwan, dan Singapura mengalami pertumbuhan ekonomi yang pesat. Sebelum krisis financial 1997 teoretisi pembangunan biasanya mengacu pada empat Negara yang dipandang ajaib karena pertumbuhan spektakuler mereka. Apakah factor-faktor determinan di balik sukses Korea Selatan? Para pengamat Korea mengajukan jawaban berbeda. Ekonom neoklasikal percaya pemerintah Korea lebih suka membiarkan pasar bekerja untuk menggerakkan pertumbuhan. Sebaliknya, pendukung pendekatan statis mengklaim bahwa negara kuat lah yang menciptakan pertumbuhan ajaib itu. Pengamat lain menekankan pada hubungan antara negara, pengusaha domestik, dan pebisnis global. Studi terakhir yang dilakukan Han (1995) dan Zhang (1999) memunculkan kesimpulan bahwa faktor budaya, terutama Neo-Confucianism, juga memainkan peran signifikan dalam mempromosikan pertumbuhan ekonomi di Korea Selatan dan Asia Timur. Artikel ini bertujuan untuk menjawab dua pertanyaan berikut: (1) Seberapa jauh dan dengan cara apa Confucianism telah mempengaruhi pertumbuhan ekonomi di Korea Selatan? (2) bagaimana faktor institusional, negara Korea, membuat budaya bekerja untuk perkembangan ekonomi?

Kata-kata kunci: budaya, pembangunan, Neo-Confucian, ideologi hegemonik.

Defining 'Culture' and Development

There is no single answer to the question of what 'culture' is. Robert Bocock proposes five different definitions of culture including "(1) cultivating lands, crops and animal, (2) cultivation of mind, arts and civilization; (3) a process of social development; (4) meanings, values, ways of life; (5) practices that produce meaning" (Schech and Haggis 2000, 16). Another anthropologist, Clyde Kluckhohn argues that there are eleven cultural elements such as inherited traditions or 'social legacy', learned behavior, theory, norms and the way to respond to the external environment.

Clifford Geertz defines culture as 'a web of significance' or 'meanings' (Geertz 1993, 5). While the majority of anthropologists describes meanings as an individual's construction of ideas, Geertz refers to meanings as a product of collective interactions. The term 'a web of significance' refers to those collective interactions. Therefore, the best way to understand a culture is to interpret those meanings. Furthermore, Geertz argues that the 'web of significance' functions as "a set of control mechanisms-- plans, recipes, rules, instructions (what computer engineers call 'programs)-- for governing behavior (Geertz 1993, 44).

In this article, culture is defined as *values, practices and meanings*. Confucianism is categorized as 'values' since it is believed by a majority of the population in East Asia to be an important principle in the organization of their social life. It is practiced in family and other social organizations in the region. It is categorized as 'meanings' since it controls and shapes the behavior of individuals in South Korea and other societies in the Eastern Asian Region.

The concept of 'development' has more than one definition. The idea of evolutionary progress was very strong in the works of French Evolutionists such as Turgot, Condorcet and Saint Simon (Hadjor 1993, 98). The French thinkers depicted 'development' as a living creature which grew like a tree. Since 'development' was conceptualized as 'the natural state of affairs', the question was not whether a society was able to make progress, but when and how the progress was achieved.

The concept of development as a linear progress has changed since the Great Depression in the 1930s. Economic stagnation, the emergence of new nations and the reconstruction of Europe after the Second World War brought the idea of 'economic growth' into the center of development debates and practices. After the Second World War 'development' was narrowly defined as 'economic development' which was based on the western industrial capitalism (Hadjor 1993, 99).

The emergence of the modernization approach in the 1960s brought a further change in the meaning of development. The concept of 'development' is interchangeably used with the concept of 'modernization' which comprises economic transformation, the change of traditional institutions into modern ones, the universalisation of the western development model and values through industrialization, technological diffusion to promote progress in Third World countries, the function of domestic elites as 'change agents' and the role of internal factors as preconditions of modernization (Brohman, 1996: 16-17). In general, the modernization theory conceptualizes 'development' as a multidimensional transformation of traditional societies in the Third World into modern societies. The ultimate goal of development is 'to catch-up' with the Western industrial countries in terms of high living standard, mass consumption and liberal democracies.

In practice, economic parameters have strongly dominated the measurement of development. Most literatures of development economics define development in terms of GNP (Gross National Product) and GDP (Gross Domestic Product). Gerald M. Meier, one leading development economist, defines development as "the *process* whereby the *real per capita income* of a country increases over a *long period of time*—subject to *stipulations* that the number of people below an 'absolute poverty line' does not increase and the distribution of income does not become more unequal" (Meier 1995, 7).

The term 'development' in this article is simply defined as economic development which is based on industrialization. It is measured by the growth of national income and structural transformation. In some parts of the discussion, the term 'development' also refers to the modernization of rural areas.

Culture and Development: Theoretical Reviews

The correlation between culture and development has been the central debate among theorists and practitioners of development for many years. Theorists who emphasize economic aspects of development tend to abandon the contribution of culture in economic modernization. Economists conceptualize development as an impact of an aggregate capital accumulation. Neo-classical economics proposes a development model which is based on a combination of savings and investment, research and development and skillful labor (Pi 1996, 5; Brohman 2001, 12-13).

Furthermore, various models of economic growth depict culture as a residual factor. This notion is derived from the basic assumption about the function of market as a prime mover of development. Economists argue that individuals, regardless of their cultural and social background, are rational and self-interested.

Individuals will respond similarly to price incentives. It is believed that the interactions of individuals who pursue their own benefits in the market system will bring prosperity to the whole society. Since market exists and operates autonomously, other factors such as culture and political institutions play a minor role in the development process.

The market-driven-development has been repeatedly criticized by experts who emphasize the role of culture. In spite of taking rational behavior as a determinant factor behind economic development, the cultural approach pays more attention to the role of beliefs, values and symbols in shaping individuals' economic behavior. Central to the arguments of cultural approach is that individuals behave and act in the context of a certain social and cultural system. For example, a society where 'greed' is perceived as a sinful attitude, will not respect individuals whose actions are based on egoistic reasons and self-interest.

Max Weber is one of the early scholars whose notions about the correlation between religious values and beliefs have been repeatedly quoted. In *The Protestant Ethic and the Spirit of Capitalism*, Weber argues that protestant asceticism is the key factor behind the development of the capitalist economy in Western Europe. Protestantism demands that individuals are responsible for their own salvation. To secure their own place in 'the Kingdom of God', individuals must (1) be morally consistent by practicing "methodical life-planning, self control and self denial" and (2) by serving God, not by isolating themselves in a monastery but by conducting their vocational obligations (Jary and Jary 2000, 494-496). God gives humans skills, talents and knowledge to help humans to serve him better. Therefore, it is against God's commands if humans do not develop their talents and cultivate themselves by working diligently. At the same time, the absence of mediating sacramental ministry makes individuals anxious about their salvation. Wealth as a result of hard work is believed as "signs of God's blessing and thus provided believers with an assurance of salvation" (Jary and Jary 2000, 495). In short, Weber believes that protestant ethics which emphasize life-planning, self-control, self denial and hard work influence economic behavior such as moderate consumption, saving and unlimited works. This behavior, which is crucial for capital accumulation, is not derived from a rational calculation but from religious beliefs internalized by individuals.

However, Weber's notion about the pro-progress culture is rather ethnocentric. He shares a pessimistic view about the existence of such a culture out of western society. A culture or a religion in Third World societies which is equal to the western protestant ethic is unlikely to exist. In his study of China, Weber reported that capitalism did not develop in China since there was no "a particular mentality equating with Protestantism" (Hwang in Tu 1991, 233). According to Weber, the obstacle to the birth of capitalism in China may be Confucianism which is the

philosophical basis of Chinese moral teachings. Similarly, religion retards capitalism from mushrooming in India. Weber argues that capitalism and rational attitudes do not flourish in India since Hinduism is 'other-worldly' (Madan 1983, 27). Determinism of incarnation and the caste system impede technological change and the birth of capitalism.

Weber's arguments are resonated by the proponents of the modernization theory. They claim that various traditional beliefs, values and cultural practices in Third World societies impede the process of modernization. Modernization needs a 'culture of development', a culture which would "initiate, promote and sustain development" (Madan 1983, 22). Such a culture has to be generated by transforming traditional cultures and social institutions or by introducing modern cultural values and practices. 'Diffusion' is a central concept in the modernization theory. The term refers to a process in which western rational behavior, technologies, capital and managerial skills are transmitted to traditional societies in the Third World countries.

The modernization theory underestimates the presence of domestic cultural values and social practices that support development in Third World countries. The underestimation comes from: (1) a rough generalization which states that cultures of societies in the Third World are homogenous, (2) an understanding of culture as fixed meanings and practices which are inherited over generations; in fact, cultural values and practices, including religions, are negotiable and are reinterpreted by its believers, (3) a wrong conclusion about the absence of pro-development culture in Third World Countries. In fact, the bulk of literature has revealed the fact that cultural values make a major contribution to the so-called 'East Asian economic miracles'. Some studies found a close affinity between Confucianism and the rapid industrial economic growth and social modernization in South Korea (Hahn in Mo and Moon 1999; Sung 1997; Cho in Cho and Kim 1991; Chang 1998). The questions are how and in what way Confucianism makes a contribution to economic development in South Korea.

Neo-Confucian Cultural Values

Experts who have studied the literature of Confucianism do not present the same opinions about what Confucian values are. Based on the classical text of Confucianism namely *The Golden Mean*, *Great Learning*, *Analects*, *Mencius*, *Book of Rites*, and *Book of Change*, Hwang claims that there are three parts of Confucian moral philosophy (Ming 1991, 229-273). The concept of *dao*, a set of ethical guidance to understand the world, is central in the Confucian teachings. *Dao* is developed around three-related-concepts namely *ren* (humanity), *Yi* (righteousness), and *li* (rites).

The combination of Dao and these three concepts are the basic construct of Confucian teachings which comprises: (1) a moral system *Rendao*, (ways of humanity) which regulates the relations between individuals and family members and between individuals and other humans beyond their families. A core value of Confucian humanity is children's responsibility and obedience to their parents and family, (2) *Xiushen yi dao* (practices of self-cultivation) commands that individuals must "study the *dao* diligently (*haoxue*), work industriously (*lixing*) and to suffer shame (*zhichi*) when he deviates from the principle of *dao*" (Hwang in Ming 1991, 238), (3) *Jishi yi dao* urges that the knowledge acquired by the practice of self-cultivation must bring benefits to the World.

Korea¹ adopted Confucianism from China in the fourteenth century. Through the process of selective adaptation, classic Confucianism, which is nowadays called Neo-Confucianism, was reinterpreted in the light of other religions such as Buddhism and Shamanism. At the present time, Neo-Confucianism accommodates western values such as individualism and profit orientation, which come together with social and economic modernization. The classic Confucian teachings did not favor individual-profit-seeking-behavior. While highly respectful of literate people, Confucianism categorizes merchants as a group of people who is living by exploiting others.

The influence of Neo-Confucian moral teachings, on South Korean culture and that of other nations in East Asia, has been pervasive. However, there is no single classification of what is included in the group of Neo-Confucian values. A preliminary review of the works on the influence of Neo-Confucianism in South Korea summarizes four central values (Schech and Hagsis 2000; Chang 1998; Sung 1997; Kim 1992). *Firstly, familism* as a derivation of *rendao* implies filial piety as a central value. *The book of rites* defines 'filial piety' as children's obligations to respect their parents, to maintain a good reputation for parents and families, and to meet a parent's needs of foods, clothes and shelter (Chi in Sung 1995, 241). A study by Suk and Song on the practices of filial piety in daily life found eleven elements of filial piety (*Global Economic Review* 2001, 43). Neo-Confucianism emphasizes that children, particularly sons, have to obey their father. All family members must keep a 'good name' and the continuity of family life. In social life, filial piety creates hierarchic structure in which strict seniority is a very important character. Family is the basic social institution. This implies that a society is merely an extension of the family. Leaders are 'father' of the whole society; individuals should show their great respect and obedience to the leaders.

Secondly, it emphasizes 'communitarian spirit'. Communities, from the village organizations to the nation, are more important than the individual. Individuals have moral obligations to prioritize community interests and to maintain harmonious relations in public life. These moral principles explain why many Koreans will voluntarily suffer in order to improve the community's condition. It is the source of Korean nationalism and political loyalty to the Korean state.

Thirdly, it emphasizes self-cultivation through training and education. According to Confucian thoughts, individuals' intellectuality and other capabilities are similar when they are born. It is the learning processes and experiences that make someone more intellectual, wiser or more wealthy and powerful than others. Since people are equal, education and social position should be accessible to anyone in society. Moreover, Confucianism urges individuals to develop their talents in order to contribute for the benefit of their family and community. Therefore, education is an important value in Korean families. It is said that in many cases parents in rural areas sacrifice their lands or rice-fields in order to send their children to schools or universities. Being a scholar is a dream of most young Koreans. Being a professors or a lecturer in a university is regarded as an ideal profession.

Fourthly, It emphasizes that an individual must be diligent and practice frugality. Hard work and frugality are highly valued in Confucianism. Individuals should not waste their money for being extravagant because this tends to subordinate human dignity.

It is difficult to draw a direct and blatant correlation between Confucianism and economic development for several reasons. *Firstly*, Neo-Confucianism exists no longer as state ideology. State employee examinations, which mainly tested knowledge about Confucian moral teachings as main contents was faded away when the Korean monarchy shrank in the early twentieth century. *Secondly*, the true believers of Neo-Confucian values, the *Yangban* (Korean traditional elites) has disappeared as a consequence of land reform, modernization, urbanization and civil war. *Thirdly*, the school curriculum and state constitution do not regard Confucianism as the basis of Korean culture. *Fourthly*, Koh (1995) reported that only about two percent of the Korean population formally acknowledges Confucianism as their religion (Tu 1996, 185).

However, the influences of Neo-Confucianism have been pervasive in daily social and cultural practices. Strong family orientations and communitarian spirit, ancestral memorial ceremonies, funeral and mourning ceremonies for parents, emphasis on education and other values which have been discussed previously, are prevalent in the moral teachings and way of life of Koreans. Media, parents, teachers and books reproduce the stories of 'filial piety'. A public campaign on respect for elders, Respect for elders week and Filial the Piety Prize are national

programs to preserve the values of 'filial piety' (Sung 1995, 242). In addition, a survey conducted by *Korea Gallup Inc.*, over a sample of 400 persons in the middle of the 1980s, indicated the prevalence of Confucianism among Koreans. The survey found that only two persons (0.50 %) were Confucians. However, an in-depth interview uncovered a different value orientation of respondents. The interview showed that the number of persons who were found to be 'Confucianised' was 77 (100 %) of Buddhists, 81 (76.4 %) of Protestants, 18 (90%) of Catholics and 183 (96.8 %) of no-religion-persons (Koh in Tu 1996, 193).

Hegemonic Ideology: Confucianism and Development

Max Weber was one of the early scholars who examined the relation between Confucianism and economic development. As previously reviewed in part three, he detected a minor influence of Confucianism on the dissemination of the capitalist economy. The notion about the role of Confucianism has changed since the 1960s when several countries in the Confucian region (Japan, South Korea, Singapore and Hongkong) experienced rapid social and economic modernization.

In Korea, many observers believe that Neo-Confucianism has played an important role in shaping people's economic behavior and attitudes towards development programs. For example, Shim (1992) refuted arguments that focus solely on the government's macro economic policies to explain the Korean success story. The more profound factors, according to Shim, are religions, Confucianism and others, that have constructed the Korean culture of "hard work, discipline, commitment to national defense, desire for independence from foreign colonials; and recently, to economic development" (Pae 1992, 67).

The evaluation of the influence of Confucianism on economic development is based on the theses that (1) Confucian cultural values are 'potential' factors not 'kinetic' factors. It plays a role as a hegemonic ideology that provides a social environment, which is favorable for government economic programs, (2) it must be combined with other factors and requires an institutional support to selectively mobilize cultural ingredients which support economic development.

The influence of Confucianism on economic development will be examined by analyzing four aspects of Korean development: (1) the relation between state and society in economic development; (2) the quality of human resources and the labor force; (3) the character and determination of Korean the labor force (4) the culture of Korean enterprises.

Confucian values of familism characterize the relations between state and society and shape the psychological orientations of Koreans towards government

economic programs. Since the state is conceptualized as an extended family, the relations between children and parents are perceived as an ideal model for organizing the relations between political rulers and citizens. Similar to children in a family, it is a filial responsibility of citizens to obey the 'parents' of their nation, the political rulers. Ideal citizens are individuals who work hard and sacrifice themselves for the sake of the 'family', the Korean Nation. The concept of Korean nation as a family was very strong under the administration of Park Chung Hee (1953-1962) and Chun Do Hwan (1962-1987).

The extension of familism at national level provides a strong ideological base for social and political mobilization of Koreans to support government economic programs. In the name of national development and national welfare, the government dominates development planning, strongly controls the business class, and suppresses freedom of expression and other basic rights of Koreans. Prior to the political liberalization in 1987, South Korea was a most stable country. Repressive apparatuses such as bureaucracy and the military partially contributed to the preservation of the social and political peace. A more profound factor that supported a long period of political stability was the cultural and psychological orientation of the Koreans which tend to justify the state's repression and mobilization.

The *Saemaul (New Society) Movement* (1970-1990) represented strong family ideology and communitarian spirit which were derived from Confucian teachings. In order to improve the living standard in rural areas, the Korean government launched a modernization program named *Saemaul Undong* which started in 1970. The basic idea of the movement is that modern and wealthy villages are the fundamentals of a modern and a strong Korean Nation. According to the Ministry of Home Affairs, *Saemaul Undong* is "a new community movement in which people cooperate with one another in order to construct better and richer villages" (Moon in Cho and Kim 1991, 409). The movement included programs of environmental improvement such as sanitary and water supply systems, housing, development infrastructures, such as irrigation and village roads, and income generating programs. The main goal was to improve the living standards in rural areas and to narrow the income gap between rural and urban areas.

The movement included a national campaign to internalize the benefits of the program for communities living in rural areas. The campaign underlined the spirit of diligence, austerity, thrift and community cooperation which was critical for the success of development projects in rural areas.

One of the key factors that made *Saemaul Movement* succeed in reaching its targets, particularly during 1970 and 1980, was village leadership. At the village level, Saemaul leaders, village heads and county officials worked together to

supervise and to manage development programs. Saemaul leaders, who were selected by the village assembly, played a greater role than the two other leaders in the projects' implementation. One character of village leadership which is based on Confucian teaching is the moral duty of *self-sacrifice*. Saemaul leaders were expected to sacrifice their personal interests and to devote their energy first and foremost to carry out successful development programs which were under their supervision. The strong Confucian character of leadership is reflected in the fact that neither the villagers nor the government provided salaries for the Saemaul leaders.

The decision making process at village level is based on consensus. In rural areas, social cohesion is very strong and all important decisions are made in a community meeting. In the interest of the community, individuals should agree with the consensus that is taken by representation of members at the community meeting. Obedience to the community consensus is strengthened by the Koreans' respectful attitude towards their seniors and community leaders. The support and people's participation in the *Saemaul* movement have succeeded the modernization program in rural areas.

The Confucian high value on self-cultivation has positively contributed to the quality of the labor force. Since literate people are highly respected by Korean society, parents make any sacrifices necessary to send their children to school. A strong cultural inclination towards education has an unintended consequence on economic development. It provides a reserve of a relatively educated labor force which is one of the key factors in industrialization. A study on industrialization in South Korea by Alice H. Amsden (1989) found that the educated human resources facilitated technological transfers from foreign firms particularly from Japanese and American firms to their Korean counterparts. Thomas A. Kochan (1994) expressed a similar opinion. He argues that:

A strong commitment to education and individual development is another of the strengths of Korea's Confucian heritage that has contributed to its economic development. Its high literacy rate and the generally high quality of its primary and secondary schools combine to produce an exceptionally well prepared entry-level labor force (in Cho and Kim 1994, 680-681).

Educated workers accelerated the growth of labor intensive manufacturing industries from 1960 to 1973. The problem of skilled labor shortage arose when the South Korean Government emphasized the development of heavy and chemical industries in the years after 1973. In 1976, the government enacted *the Basic Law of Vocational Training* which regulated that firms with 300 or more employees must provide in-firm training or paid training tax to the government (Kochan 1994, 681). Big companies such as Hyundai, Samsung and Lucky Gold-Star conduct their own training system. It seems that the policies for organizing

technical training for workers are stimulated by the need of Korean enterprises to increase their share of the international market. In this process, the role of Confucianism may be stronger in the workers' motivation and determination to learn new skills and knowledge, than in the firms' policies to provide training. In other words, the Confucian emphasis on self-cultivation through education inspires workers to acquire new skills and knowledge. Workers believe that it is their moral obligation to use their new knowledge for the benefit of the nation.

Confucian moral teachings also determine the character of the Korean workforce and work ethic. It is commonly acknowledged that Korean workers have many positive characters such as diligence, self-sacrifice, dedication and dependability (Steers 1989, 95). From the end of the 1980s to the early 1990s, working hours were longer in Korea than in other industrial countries. This was a period when Korean capital heavy and chemical industries started to take off. The Korean work ethic has been derived from the Confucian moral teachings which urge individuals to be diligent and frugal in order to bring benefits to the whole society. The Confucian work ethic has permeated deeply into factories and schools. The Korean word for the ethic is *eui-yok* which means 'will' or 'ambition' (Steers 1989, 97). *Eui-yok* is different from the western concept of need for achievement which stresses individual interests, particularly financial reward. It represents the internal moral drive of individuals who believe that their works is a 'sacred mission' for the sake of their nation.

The culture of Korean enterprises resembles the Confucian idea of family. For example, the managerial style of one Korean firm, *Pongsan*, replicates the relations between members in a family: authoritarian, inclusive and concern about the continuity of their business (Kim 1992, 62). A firm is a quasi-family where workers are children and the employer-owner is the 'parent'. The workers' duty is to obey and to be loyal to their parents, the employer; the employer's duty is to protect and to meet the workers' needs. It is quite common that workers in a factory have kinship ties with the manager or the employer. The eldest son usually inherits his father's company.

The reproduction of family relations in the workplace brings three impacts: (1) industrial relations are conducted on the basis of strict seniority and paternalism; (2) centralized planning and (3) decision making is based rather on group consensus than on the individual's arguments. An emphasis on consensus is crucial for maintaining internal group harmony which is an important value in the culture of Korean enterprises. Steers claims that "the principle of group harmony derives from Confucian thought, which stresses smooth, constructive, and conflict-free interpersonal relations at almost any cost" (Steers 1989, 98).

While inherently bearing some authoritarian character, the family style management has some positive impacts on firm performance and development. Kinship ties sustain employee loyalty and obedience to employer. Workers, who perceive the firm as their family, sacrifice their rights in order to increase firm productivity. They are easily mobilized by firms and state to pursue national development targets such as export increase, technological transfers and economic growth. Consensus-based-decision making minimizes conflicts between workers and between workers and employers. Although the nature of industrial relations in Korea has changed significantly in recent years, the ideology of family-enterprise remains strong.

It can be summarized here that in relation to economic development, Confucianism functions as a 'hegemonic ideology' or a 'hegemonic culture'. The Italian Marxist, Antonio Gramsci, uses the term 'hegemony' to refer to a form of domination which is based on a combination of coercion and *consent* (Ransome 1997, 136). While 'coercion' represents the use of physical violence by state apparatuses or a dominant class, *consent* includes the intellectual, moral and cultural persuasion. Gramsci criticized the classic Marxists emphasis on 'force' as the instrument of class domination. According to Gramsci, class domination in a capitalist society is preserved by "engineering consensus' through controlling the cultural forms and major institutions" (Jary and Jary 2000, 261-262). The existence and the spread of certain beliefs and ideas legitimize a certain social practice and institutions that bring benefits to the dominant class. The previous exploration revealed the hegemonic character of Confucianism. The Korean state interests are to increase economic growth and to create an advanced and a modern Korea. The interest of the Korean capitalist class is to generate wealth through capital accumulation and industrial expansion. In this process, the state manipulates Confucianism to mobilize social support to its economic ambition. The Korean capitalist class uses the Confucian moral teachings to sustain workers' loyalty and productivity which are crucial for the capital accumulation.

State, Confucianism and Economic Development

Culture is not sufficient to promote economic development. The high performance of the Korean economy and others in East Asia, prior to the financial crisis in 1997, was a product of a combination of factors. The most important factor is the role of the institution. In South Korea, the institution of state is the *primum mobile* of development. Several studies reveal the fact that state intervention was the key factor behind the economic success in South Korea and in other East Asian Countries (Deyo 1987; Amsden 1989, Cho and Kim 1990; 1994; Lee 1997). In South Korea, the role of a *development state* in economic development, was strong (Haggard 1990; Wade 1990; Amsden 1990). The term 'developmental state' refers

to a kind of state that actively promotes economic development by assuming four roles: planning and direction, investing in public infrastructure, providing financial support and guarantying political stability.

The Korean government formulates a plan of development into a five year period. Government bureaucrats particularly technocrats in EPB (Economic Planning Board) set certain targets for each period. The targets function as signals for private sectors to make decisions about investment. Between 1960 and 1972, for instance, the Korean government paid more attention to the growth of labor-intensive manufacturing industries such as textiles, footwear and light electronics. Due to high competition of manufactured products in the international market, the Korean government prioritized the development of heavy, chemical, and high-tech industries in the years after 1973. *Planning* and *directing* are the ways by which the Korean government manipulates the market.

The government role is very active in public investment. Prior to the economic liberalization in the middle of the 1980s, the government was directly involved in economic activities. The government controlled most financial institutions. Government expenditure for economic development declined from 21.6 % (1980) to 18.9 % (1989). It rose again to 25.4 % in 1994 (Kim and Mo in Mo and Moon 1999, 79). Most government expenditure was invested in public infrastructures such as transportation and communication facilities.

Another fundamental of the Korean success story is the state's favoritism towards the Korean business class. The state provides unlimited credit and other facilities such as tax holiday to promote the expansion of domestic industries. Korean Chaebols such as Hyundai, Samsung and Kia are the 'children' of the Korean state. Under Park's and Chun's regime, the Korean conglomerates monopolized government bank loans. For example, 48.0 percent of total domestic credit in 1984 went to thirty largest chaebols (Lee 1997, 39). Government credits functioned as two-edged-sword. On the one hand, it helped chaebols to expand their investments and international market share. On the other hand, it functioned as a discriminative instrument *to punish* or *to reward* entrepreneurs who failed or succeeded, to reach the state's economic targets. In other words, the Korean government utilizes financial credits and other incentives to intervene in the firms' business policies and to manipulate the market. Accordingly, culture *an sich* is not an adequate to explanation of the expansion of Korean firms. While the Confucian entrepreneurial spirit may inspire the Korean firms' leaders, government financial supports and other facilities make a greater contribution to chaebols' business development.

One crucial element of the Korean economic miracle is political stability. In the name of national development, the Korean state repressed opposition and tightly

controlled Korean labor. Prior to the political liberalization in 1987, South Korea was one of the most repressive states in the world. In South Korea, repressing labor is a part of the development policies based on high-speed industrialization. Until the early 1990s, the Korean state violated labor organizational freedom by regulating that all workers must become members of state-controlled-labor organization, FKTU (Federation of Korean Trade Union). Collective strikes were prohibited or tightly observed. The state apparatuses, such as KCIA (Korean Central Intelligence Agency) and the local military offices, actively intervened to settle conflicts in workplaces.

Again, the cultural perspective is not sufficient to understand Korean labor determination. While Confucian moral teachings such as filial piety, self-sacrifice, diligence and painstaking self-improvement strongly influence workers' psychological attitude towards their work, the expression of such values is highly dependant on institutional contexts. In Bellah's words:

However important motivational factors may be, they have proven time and again to be highly sensitive to shifts in institutional arrangements. The consequences for economic development depend as much on the institutional channeling of motivation as on the presence or absence of certain kinds of motivation (Pi 1996, 15).

The Korean workers' accommodative behavior towards low wages, long working hours, high productivity and a bad work environment are better explained by looking at the state is repressive labor policies. The fact that there was great labor unrest after the government lifted its repressive policies after 1987, proved that culture had functioned as a 'hegemonic ideology' to legitimize state repression.

Factory Saemaul Movement in 1973 was the best example of how the Korean state manipulated Confucian culture to accelerate the industrialization process. Inspired by the success of *saemaul movement* rural areas, the Korean government expanded the movement into schools and factories. The movement introduced the idea of *family-enterprise* in which a worker was described as an 'economic patriot' that should cooperate with employers and the government to achieve high economic growth. A Korean enterprise is a big family. Long hours and hard work are noble virtues of workers as 'children'. Employees are fathers, and like a father and his children in a family, workers should be loyal to the enterprise and sacrifice themselves for the interests of the firm and the Korean Nation.

The combination of culture and state intervention creates a high economic growth. The annual rate of Korean economic growth measured in national income was 10.36 % (1963-1979) and 8.08 (1979-1995) (Kim and Hong 1997, 112). Per capita Income increased from US\$ 280 in 1963 to US\$ 9,656 in 1995 (Korean *Statistical Year Book* in Song 1997, 37). The economic structure became more industrial

which was reflected in the decrease in the share of agriculture in the Korean GDP from 39.9 % in 1960 to only 6.6 % in 1995. The share of industry increased from 2.3 % in 1960 to 43.5 % in 1995 (*World Development Report* in Song in Song 1997, 109). Industrial structure experienced a total transformation. The contribution of heavy and final industries in GNP increased from 22.7 % in 1960 to 67.7 % in 1993. Economic growth went hand in hand with income distribution. South Korea has been regularly quoted as an example of how industrial growth can be combined with a relatively equal distribution of income.

Conclusion

Confucian values have positively supported economic development, to the extent that they provide a social and cultural basis that make development programs work. However, Confucian values do not correlate directly with economic growth. Confucianism functions mainly to create in people a positive attitude toward work, education and the role of government. It provides psychological and moral bases that legitimize government economic policies and actions. Confucianism is not the only factor behind the Korean success story.

The previous discussion has shown that the institutional factor, in the form of a developmental state, plays a crucial role. In South Korea, the state actively promotes economic growth by supporting the domestic capitalist class, planning economic targets, using credits to control the market and orchestrating public support. The Korean state also manipulates Confucian moral teachings to pacify the workers. In short, cultural values will effectively influence economic behavior if they are complemented with other instruments particularly, a pro-development institution.

In the past, the role of Confucianism to foster economic development after the Korean War was unquestionable. Under Park Chung Hee (1960-1979), South Korean industries expanded rapidly, resulted in economic prosperity. When Japanese and American economy suffered a serious turbulence in the middle of the 1980s, the Korean economic continued to perform an upward trend. Chun Do Hwan who ruled Korea from 1980 to 1987 combined state's repression, pragmatic economic policies and cultural mobilization to preserve economic growth. The Korean economy continued to prosper when Roh Tae Woo came into power in 1988. The impact was the rise of Korea as a new industrial country. However, the Korean economic prosperity faltered in the end of 1990s, following the world economic downturn. When the Japanese and the American are able to escape from the world economic crisis, the Koreans are struggling to recover their economy.

The crisis has brought a grave challenge to the practice of Confucianism in the private and the public life of Koreans. While prosperity reigned and manufactures profited, workers were willing to accommodate unfair management practices and government repression. But when the Korean economy deteriorated, companies were closing down and the workers made redundant, the Confucian moral teachings did not provide solutions. The economic crisis and social frustration caused labor unrests and student protests in the 1990s. The crackdowns of student and labor protests turned the workers and other social groups against Confucian values. The workers demanded a greater share in firm's profit. Trade unions wanted to play a greater role in the decision making process at company and national level. Finally, political corruption identified by opposition politicians uncovered the government hypocrisy. In other words, there is a discrepancy between government's moral claims and what they have done. The moral inconsistency leads to further review of accepted Confucian values. In future, the persistence of Confucianism will be highly influenced by the ability of the Korean government and firms to combine the collective interest and the protection of individual rights.

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