

China Phenomena and South Korean Turmoil:

What's Wrong with Traditional Theories of Development?

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For Competitive Advantage in a Global Economy*

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§1 Introduction

(1) Impacts of China

China Phenomena

Japan

Taiwan

China hock

S. Korea

(2) Purpose of the Paper

a) Missing Links in Traditional Theories
Chinese & Korean Experiences

b) The Place of Socio-Cultural Elements
Habermasian Crisis Theory in NEA
Societies

§2 Changing Chinese Society

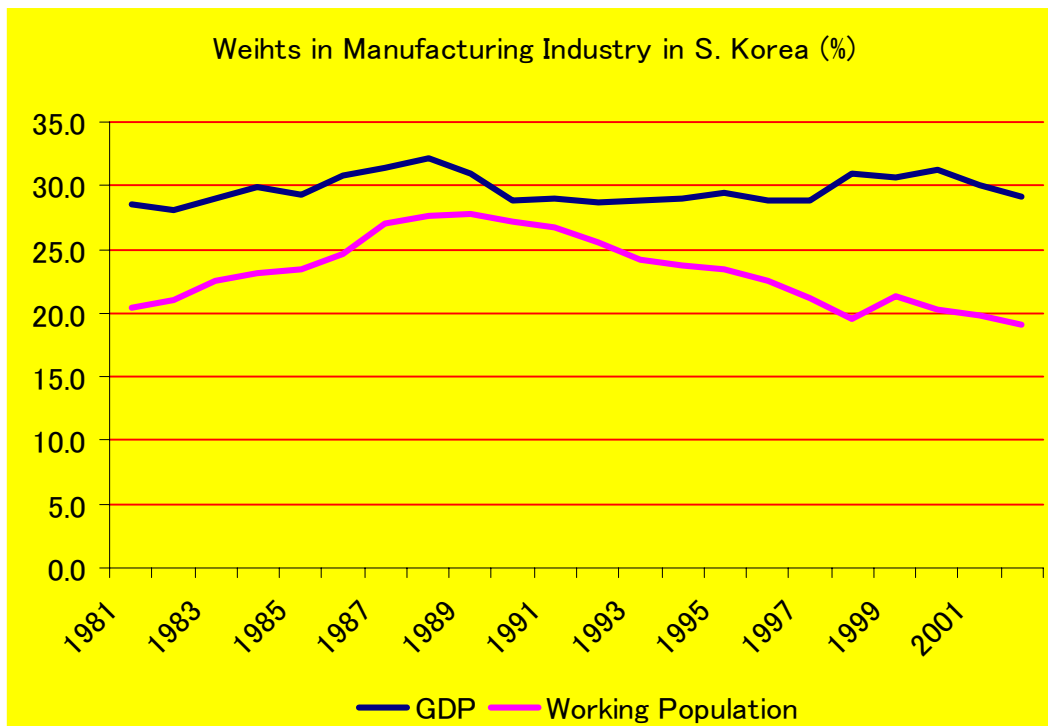
(1) Changing Chinese Society

a) Share of Secondary Industry

.Clark's Law

Kongdonghwa (Industrial Hollowization)





(2) Technology & Innovations

a) Technology

in Engineering Sense & Economic Sense

b) Technological Innovations,

Institutional Innovations

Govt-Business Relationship

c) Intermediate (Appropriate) Technology Thesis

Japan's Experience

Competitive edge

Quality-Price-Market

(3) Innovation & Accumulation

- a) Total Factor Productivity (TFP) Formula
What does TFP Growth Measures?
P. Krugman' 'Myth' Thesis
- b) Accumulation & Innovation (J. Schumpeter)

(4) Flying Geese in the Chinese Sky

- a) Flying Geese & Product Cycle (Akamatsu & Vernon)
Transmission of technology, Role of MNLs

Japan ⇒ NIES ⇒ ASEAN, &China Scheme

Continuous Arise of Leading Industries
- b) *Kuayue-shi* (Jumping) Development Strategy
Late-comer's Advantages (Gershenkron)
Black Hole in Tech. Absorption
Shallow Basis M&A by Chinese Firms

(5) Trade Strategy

- a) Neoclassical East Asian Model

Import Substitution ⇒ Export Promotion
- b) Cordial Set of Incentives in EP Period
Japan, Prewar & Postwar Periods
Taiwan, Korea under Authoritarian Regimes
- c) Levels of Analysis
Individual Policy Measures & Policy Packages
- d) Regime Type and Shift of Strategy
Liberalization in Korea, Taiwan, & Thailand
Pressures from Outside: Globalization
China's Membership to WTO (2001)

(6) Domestic Diaspora

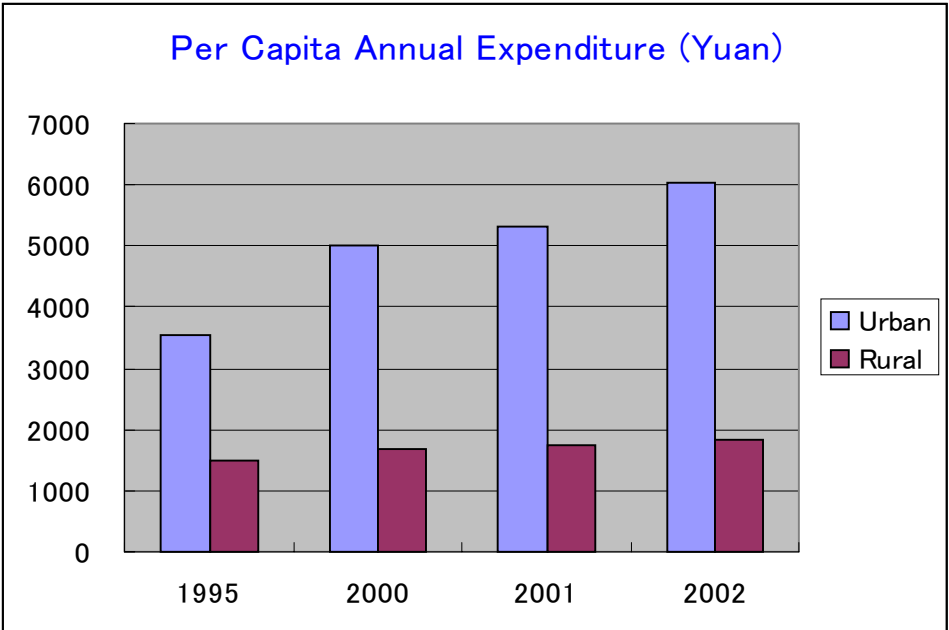
a) San-ge Daibiao (Three representatives)
'Socialistic Market Economy'
One-Party Rule of CCP

b) 'Gradualist' Reform (B. Naughton)

Two operation fields (state sector & industrial
economy)
Marketization without privatization
Industrial Reformation into Two Camps (Winners
and Losers)

c) Diaspora Within and Overseas

Migration in Perpendicular Directions
North to South, Midland to Coast Side
Mingong (Migrant Workers), Farmer's Riots
Inadequacy of the Duality Model (Lewis, Harris,
Todaro)
Worker Shortage in Guanzhou (Fuller)
Mammonish and Superstitious Chinese
Falingong in 1999
Lapse of Identity
Doubts on the Legitimacy of CCP Rule
Limits to Growth
From Within & From Outside



§3 South Korean Turmoil Since the IMF Bailout

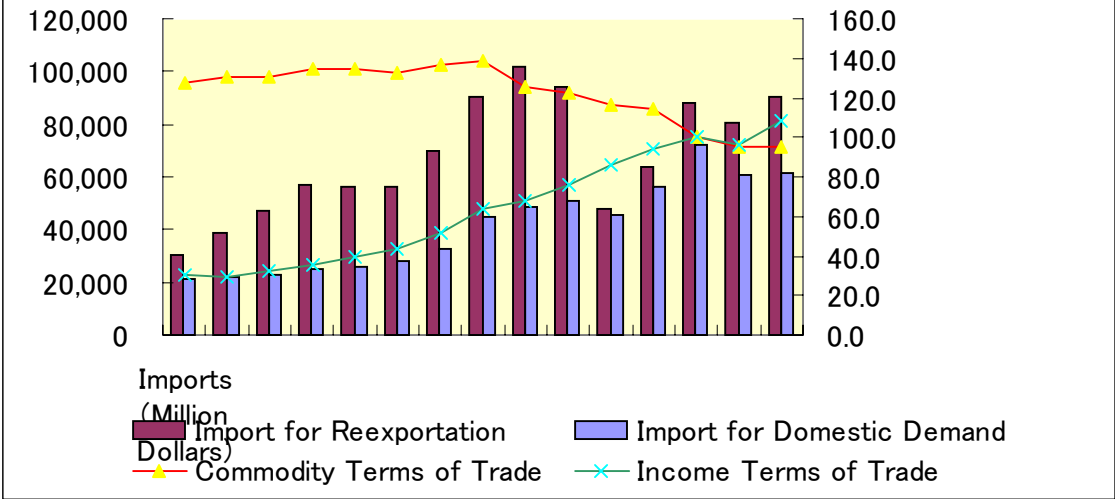
(1) The 1997 Crisis & DJnomics

- a) Causes of Financial Crisis
 - Financial Liberalization for OECD
 - Successive Bankruptcy of *Chaebol* Enterprises
 - Mass Withdrawal of Speculative Money
 - Casino Capitalism* (S.Stage)
- b) Harsh & Stern Conditionality of IMF
 - Austerity vs Stimulation
 - Korean Model & Malaysian Model
- c) Results of DJnomics
 - Business & Financial Reform
 - Militant Unionism
 - Oligopoly of Survived *Chaebols*
 - Gvt Intervention in the Name of Market
 - High Rate of Unemployment

(2) High-Cost Syndrome of the ROK Economy

- a) Stagflation after the V-shaped Recovery
 - Burden of Rising Wage Rates
 - Capital Flight & Relocation to China
 - Dependency on Japanese Technology
- b) Worsening Terms of Trade
 - Buying Foreign Consumers' Goods
 - Lowering Export Prices

Import Component & Terms of Trade (Million Dollars, 2000=100)



c) China Shock

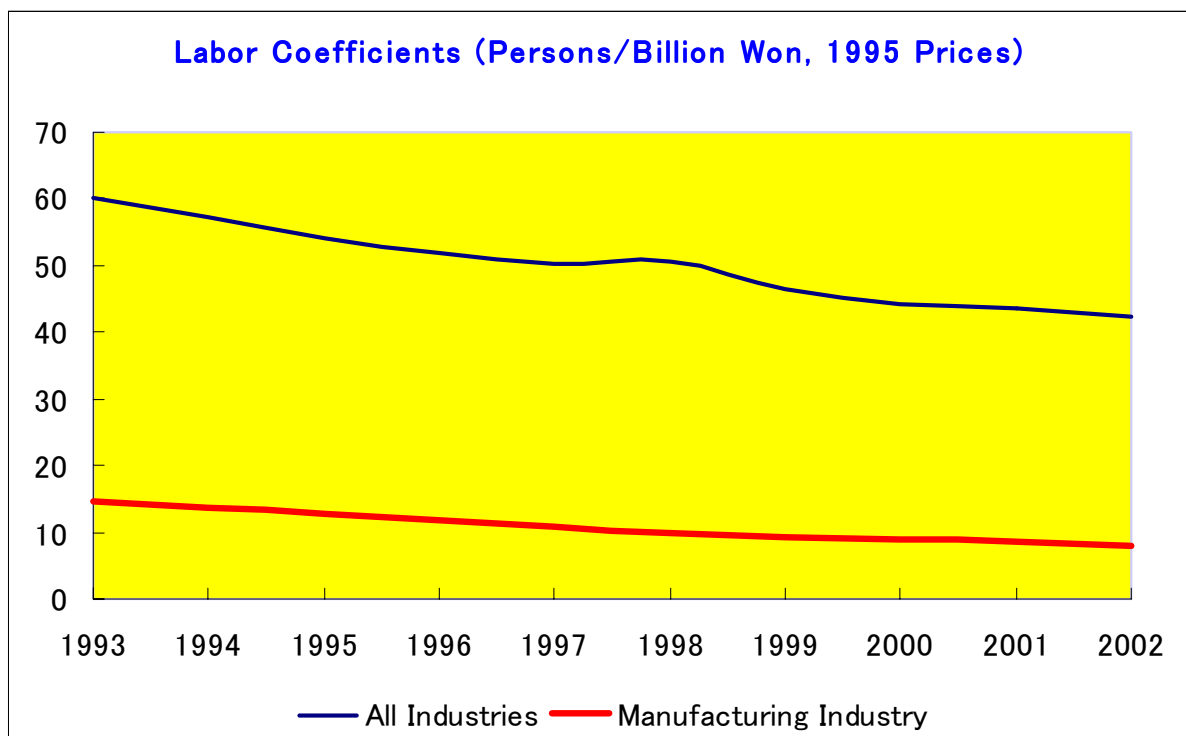
Remittance & Investment Abroad

d) Lowering Labor Coefficients

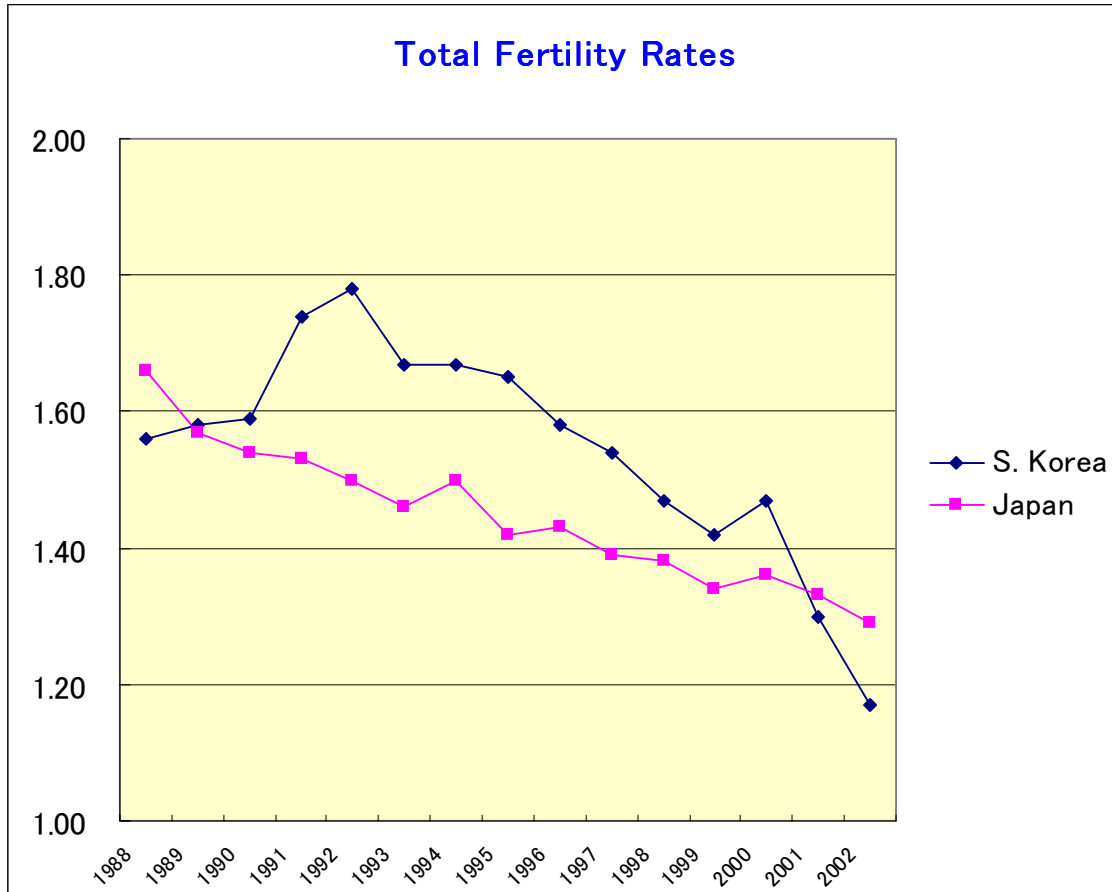
Jobless Recovery & *Kongdonghwa*

Polarization of Labor Markets

'Regular' & 'Non-Regulars'



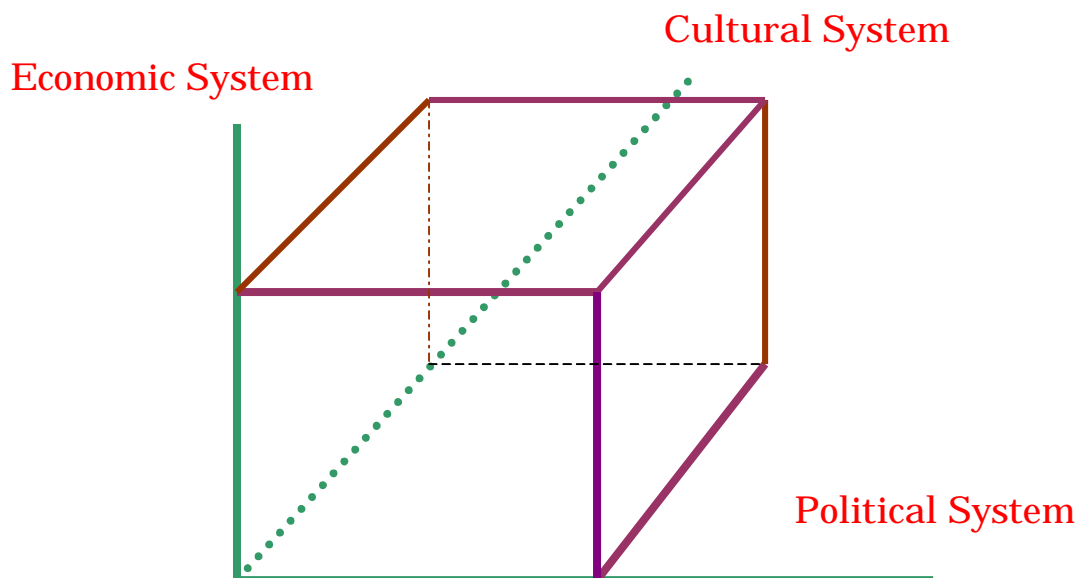
e) Declining Total Fertility Rate



§ 4 The Place for Political & Socio-Cultural Elements

(1) Copyright on Institutions

- a) Nationalism & Institutions (B. Anderson)
- b) Free Market System
 - Politically Constituted Organization (Scott)
 - Eurocentric Trinitarianism
 - Capitalism, Civil Society (Liberal Democracy), & Christianity
 - End of the History (Fukuyama)
 - Asian Values Controversy (1997)
 - Economic & Cultural Determinism (Marx, Weber)
- c) Multiple Causal Connections
 - Non-Uniqueness of Growth paths



(2) Corporatism & State Failure

a) State-Business Relation

Socio-Cultural Elements in the Hidden Dimension

Cold War ideologies

Duality of Two 'States' (Fraenkel)

b) Corporatism as a Bridge

Patron-Client Relation in the Authoritarian Regimes

Consultation machinery,

Hotbed of Corruption & Rent-Seeking

Intentional Price Distortions

(cf. 'Contest' in the World Bank Report)

Prewar Japan, South Korean *Yushin* Regime

Kuomintang & CCP on the Commanding Heights

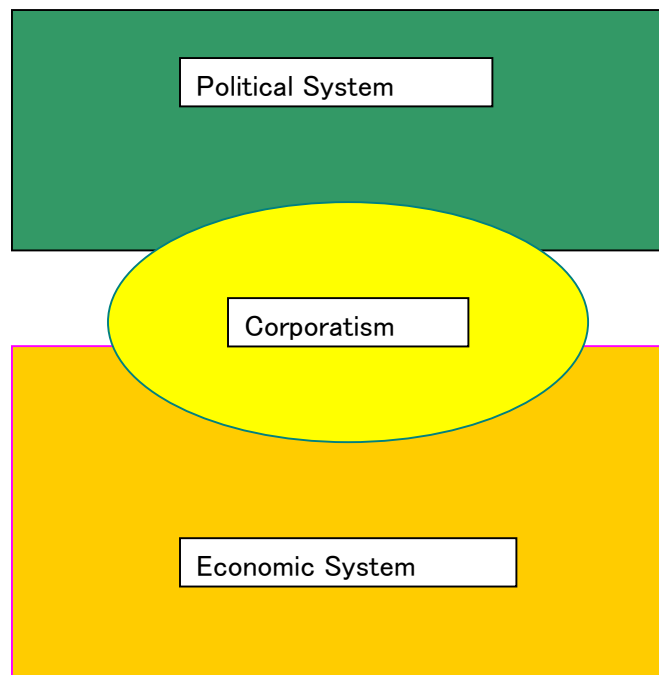
c) Levels of Analysis

Policy Measures, Policy packages, Institutions, Regimes

Administrative Consistency

'Weberianess' (Haggard)

State Failure (Jaenicke)



- d) Regime Change & Corporatism
 - Political Plurality & Democratization (Huntington)
 - Regime Type & Conformity of Corporatism
 - Institutionalization of the Alternatives
 - Marketization and Retreat of the State (Strane)
- e) History, Social Consciousness & International Relations

(1) Crisis Theory in the NEA Context

a) Original Habermasian Framework

Habermasian Set of Crises

<i>Subsystem</i>	System Crisis	Identity Crisis
<i>Economic System</i>	Economic Crisis	
<i>Political System</i>	Rationality Crisis	Legitimation Crisis
<i>Cultural System</i>		Motivation Crisis

b) Reinterpretation

Identity Crisis ⇒ Identity-Motivation Crisis

(Cultural Element in the Hidden Dimension)

Rationality Crisis ⇒ Administrative Failure of the

State (Lack of (Weberianess))

Leigitimation Crisis ⇒ Legitimacy Crisis

(Doubts on the Ruling Authority)

c) Boundary Problem

Politico-Economic Boundary Corporatism

d) Observations on China & S. Korea

China

Limits to Growth: Disguised Economic Performance

Food & Energy Shortages

Social Unrest due to Income Inequality

Trade & Exchange Rate Conflicts

Corruptions, Mistrust in CCP Rule

Identity-Motivation Lapse

S. Korea

High-Cost Syndrome (End of Social Dumping)

Mass Unemployment

Capital Flight & *Kongdonghwa*

Business Leaders' Lapse of Confidence in Gvt

Flight of Domestic Capital and the 'China Shock'

Breakdown of the Gvt-Business Relation

Injured Dignity of the President

(Impeachment in the Diet)

International Aspects

Cross-Strait Relation and the Korean Peninsula

Mobilization through 'Nationalism'

Pro-North, Anti-Japan Sentiment (Korea)

Triangular Rivalry in the NEA

Revised Set of Crises

<i>Subsystem</i>	System Crisis	Identity – Motivation Crisis
<i>Economic System</i>	Economic Crisis	
<i>Political System</i>	Rationality Crisis	Legitimacy Crisis
<i>Cultural System</i>		

§ 5 Concluding Remarks

(1) Summary of Results

a) Limits of Traditional Theories

Multiple Causal Connections
Meaning of Market System
Political & Socio-Cultural Elements
Corporatism as a Politico-Economic Setting

b) The Place for Socio-Cultural Elements

Revised Habermasian Framework
System Crisis & IM Crisis

(2) The Remaining Tasks

a) Levels of Analysis Again

Policy Measures – Institutions – Regime Type
Customs – Values – Consciousness

b) Interrelationships (ex)

Economic Policy ↔ Business Customs
Institutions ↔ Social Values
Regime Type ↔ Social Consciousness

Policies

Customs

Institutions

Values

Regime

Consciousness

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