China Phenomena and South Korean Turmoil:

What’s Wrong with Traditional Theories of Development?

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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
      Gvt-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
   Falungong 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
c) China Shock  
  Remittance & Investment Abroad  
d) Lowering Labor Coefficients  
  Jobless Recovery & Kongdonghwa  
  Polarization of Labor Markets  
  ‘Regular’ & ‘Non-Regulars’

**Labor Coefficients (Persons/Billion Won, 1995 Prices)**
e) Declining Total Fertility Rate

Total Fertility Rates

- S. Korea
- Japan
§ 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

Economic System

Cultural System

Political System
(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

      | Subsystem       | System Crisis | Identity Crisis |
      |-----------------|---------------|-----------------|
      | Economic System | Economic Crisis|                |
      | Political System| Rationality Crisis | Legitimation Crisis |
      | Cultural System | 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))

      Legitimation 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

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<thead>
<tr>
<th>Subsystem</th>
<th>System Crisis</th>
<th>Identity - Motivation Crisis</th>
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<td>Economic System</td>
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<td>Legitimacy Crisis</td>
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§ 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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