

Bankers Trust Co.
Economics Division
280 Park Avenue
New York, New York 10017

PAPER

ECONOMIC AND POLITICAL CONSEQUENCES OF
THE NORTH-SOUTH CONFRONTATION IN KOREA:
IMPLICATIONS FOR THE CURRENT SITUATION

William H. Overholt
Vice President
Head, Political Assessment Group

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ECONOMIC AND POLITICAL CONSEQUENCES OF THE NORTH-SOUTH
CONFRONTATION IN KOREA: IMPLICATIONS FOR THE CURRENT SITUATION

The economic consequences of a military confrontation, particularly a more or less domestic military confrontation, for the economy of a typical Third World country are well known. Nigeria in the period of its confrontation with the Ibos, Vietnam in the 1960s, the Philippines facing the Muslim rebellion in the South, Malaysia during the Emergency and during its 1969 racial riots, and many other examples come to mind. Foreign capital flees the country. Domestic capital does likewise to the maximum extent possible. National priorities become focused on military issues to the exclusion of economics. Heavy military spending causes massive inflation. The road to power, prestige and prosperity becomes a military or a political route rather than a business route, so that the best people are channeled out of the productive sectors. Security problems become an incentive or an excuse for extension of military command authority into the economy, into the universities, and more generally, throughout the society, to the ultimate disadvantage of both the economy and the military. Security fears and ideology come to dominate economic calculation in decisions made throughout the society. The economic consequences typically are inflation, stagnation and rigidity. Frequently, these are accompanied by corruption, since government control of so much of society so often implies, particularly in the context of a stagnant Third World economy, thousands upon thousands of poorly paid bureaucrats looking for a way to beat inflation.

While this description hardly fits all such Third World military confrontation situations perfectly, it certainly represents an archetypical

response. That is, the median Third World country facing such a situation would bear a fairly close resemblance to the description given. It is therefore particularly important to investigate in some detail why South Korea has not followed the typical path from confrontation to stagnation and inflation to the frequent result of social as well as economic collapse.

Before undertaking a specific analysis of the Korean situation, it may be worthwhile to note that South Korea does not stand alone in having avoided the syndrome of stagnation, inflation, corruption and collapse. A number of other countries, mostly close neighbors of South Korea, have managed to neutralize political-military confrontation as a cause of economic problems and have in some cases even managed to turn it to advantage. In fact, if one looks at South Korea's neighbors, almost all of them, or at least all of the Sinic cultures among them, have experienced development in the context of confrontation. Nearly all of them have faced the challenge successfully. Japan embarked on its economic modernization program as a response to challenge from the West. Japan saw what was happening to China and to various Southeast Asian countries and embarked on a self-strengthening program designed more to meet the external challenge than to make Japanese richer. Over the long run, and despite the interlude of World War II, the unintended consequence, however, was to enrich the Japanese people and to enrich those who traded or invested with the Japanese. Likewise, Taiwan and Hong Kong have faced security challenges of the highest magnitude. Until recently, various forms of intimidation, confrontation, and direct or indirect disruption were as much the rule as the exception in the relations of Taiwan and Hong Kong with the People's Republic of China. The Quemoy crisis of 1958 for Taiwan and the cultural revolution crisis of 1967 for Hong Kong constitute symbols of the international confrontation which both

Hong Kong and Taiwan have experienced. Finally, Singapore, a tiny city-state which has experienced PRC ambitions much less directly than Hong Kong and Taiwan, but which has over its entire history faced various forms of confrontation and dissension with its comparatively huge neighbors, Malaysia and Indonesia, has also had its history, its polity and its economy shaped by fears of confrontation, conquest or subversion.

All of these states, including South Korea, have avoided the stagnating and disintegrative fate of most other Third World nations in the face of confrontation. More important, several have, in the face of confrontation, achieved extraordinary economic success not only in direct economic growth but also in income distribution and in maintaining national control over their economic affairs. Few Third World countries have solved any one of these three problems. Each of South Korea's non-communist neighbors has grown an average of around 10 percent per year during its post-World War II period of industrialization. South Korea, Taiwan and Japan are three of the non-communist world's six most egalitarian economies. (The others are Canada, Australia and Libya.)* The South Korean economy is notable for the extent to which its major industries are owned by Koreans, for the rate at which technological knowledge and organizational know-how have been transferred from the advanced economies, and for the extent to which foreign investors are small and medium-sized businesses with small market shares, rather than gigantic corporations with monopolistic positions.

The sharp division between those countries which have fallen apart or stagnated as a result of confrontation, and those which have achieved spec-

*Shail Jain, Size Distribution of Income: A Compilation of Data (Washington, D.C.: The World Bank, 1975).

tacular successes despite confrontation, suggests recourse to Arnold Toynbee's concept of challenge and response. When an individual or regime or nation or society or civilization faces a great and potentially fatal challenge, it may succumb to that challenge in the manner of the majority of today's Third World countries. But if it does not succumb to the challenge, it may well succeed in strengthening itself to an extent that would have been most unlikely in the absence of the challenge. An individual stricken by a serious illness may succumb to that illness or he may reorganize his habits and adopt a program of diet, work, and exercise which leaves him far stronger and healthier than he would have been in the absence of the illness. The question is, why did South Korea and its neighbors succeed where so many others failed? Another question, one of overwhelming importance to both business and foreign policy decision-makers, arises: to what extent can we expect the successful past response to confrontation to persist in the future?

Facilitating Conditions for Turning Confrontation into Economic Achievement

The challenge was large but not overwhelming. If a man's illness consists of a massive heart attack and a permanent disabling stroke, he has very little hope of turning the challenge into a source of greater strength. In the case of the Confucian cultures of Asia, the challenge was enormous but not overwhelming. The challenge Japan faced from the West was enormous. The challenge Singapore faced from internal subversion, Chinese ambition, racial tensions, and Indonesian and Malaysian nationalism was daunting. The challenge Taiwan faced appeared to many observers to be self-evidently overwhelming. South Korea's position facing North Korea, China and the Soviet

Union appeared almost equally overwhelming. But in each case something weakened the challenge, something strengthened the response, and indigenous resources proved impressive. During this period China was extraordinarily weak, and the Soviet Union feared a nuclear confrontation with the United States. China and the Soviet Union were for most of the past generation at each other's throats and therefore unable to coordinate policies to a strong degree. North Korea, although extremely formidable by comparison with South Korea in the 1950s and early 1960s, faced internal problems which prevented an overwhelming challenge to South Korea. Perhaps most important, during this period the United States was a committed ally of South Korea. As the recent history of Uganda has shown, it is not enough to have a weak opponent (in this case Tanzania). As the recent history of Vietnam shows, it is not enough to have the U.S. on one's own side. But the combination of weak and divided opposition, together with support from the United States, provides at least the preconditions for organizing a response.

In addition to these external resources, South Korea possessed substantial indigenous resources. The indigenous resources were not of the kind which appear on an economic balance sheet. South Korea in the 1950s and early 1960s was one of the world's poorest states, and there was every expectation that it would continue to be so. It lacked natural resources. It lacked infrastructure. It lacked financing. It lacked economic organization of any competence or scale. But it did possess some less tangible resources. Extraordinary cultural unity was perhaps the most important.

This cultural unity was impotent so long as South Koreans were divided politically in their response to the North and in their response to the basic political controversies of the era, but the North Korean invasion achieved

what no American aid and no indigenous South Korean leader was ever able to achieve, namely, a unified fear of the North and of the communist ideal to which the North pledged allegiance. Thus, South Korean cultural unity was activated as a political resource by a degree of ideological unity (despite the many ideological currents which remained in South Korean society). The efficacy of these forms of unity appears to have been abetted by two of the great legacies of Korean culture, namely, long experience of living with confrontation and the long experience of Confucian cultural social organization.

Koreans have spent centuries under conditions of confrontation with their neighbors. During those periods, short by Korean standards but very long by Western standards, when Korea has been divided, its component parts have had to live with confrontation. Throughout virtually all of its history, Korea has lived in the shadow of gigantic powers which spent substantial proportions of their national energy engaging in schemes to subdue the Koreans. Tiny Korea stood up to China and Japan for periods which make the current generation of confrontation appear quite brief. Korean culture is therefore formed in the crucible of confrontation. It has bred institutions and attitudes which facilitate getting on with the business of life while coping with confrontation. Among the institutions and attitudes which have fallen into this category are many which Westerners regard as unfortunate, namely, those institutions and attitudes that are infused with a rigorous sense of hierarchy and authoritarian discipline. There is a vaguely military quality in many basic Korean cultural attitudes, in many basic Korean social structures, in the straightforward style of Korean speech, and perhaps even in the abandonment of discipline and inhibition at certain times as represented by kisaeng parties. Such qualities are

naturally bred by centuries of confrontation -- despite the anti-military traditions of certain periods of Korean history. These qualities serve Korea well in eras of confrontation.

Finally, South Korea possesses the extraordinary organizational talents of a Confucian society. Confucian societies are the archetype of bureaucracy, which is the pattern of successful social organization in the period of early modernization. It is easier for a peasant from a Confucian culture to adapt to the authority patterns of a textile or automobile factory than it is for a Buddhist or Hindu or Russian peasant. It is far easier to create national governing institutions in a society which has institutionalized the values and patterns of large-scale bureaucratic organization over a period of centuries than it is in African tribal society or in cultures where informal or non-bureaucratic forms of organization predominated prior to the arrival of Westerners. The Confucian ideals of hierarchy, of merit as the legitimate route to social mobility, of government's paternalistic responsibility to the people, and of the national leader as a moral exemplar have all served South Korea well. (Confucian contempt for the merchant has been cast aside, and Confucian political hierarchy is a central focus of controversy.) It is noteworthy that most of the societies which have responded to political-military confrontation with 10 percent growth rates, with relatively egalitarian income distributions, and with successful forms of economic nationalism have been Confucian cultures. Japan, Korea, Taiwan and Singapore are in fact the main examples of such societies. China itself, although slower to achieve growth and apparently unable to achieve its national goals without a far greater degree of repression than has characterized its small neighbors, also demonstrates the efficacy of Confucian organization in organizing a billion people and initiating growth at rates which, while not spectacular, have been

quite respectable by historical standards -- all in the face of extraordinary political-military confrontation with the Soviet Union.

Finally, South Korea possesses a critical asset in relations with its allies: unlike virtually every other Third World country with a pro-Western orientation, South Korea does not infringe upon the basic nationalistic, anti-colonial sentiments of most of its people when it allies itself with the West. For Koreans, the Europeans and, particularly, the Americans were the liberators from Japanese colonialism, whereas in Nigeria and Vietnam the West appeared as colonialism personified. Only to the extent that one incorporates this perspective can one comprehend why South Korea has no significant "Yankee go home" movement within the government, within the official opposition, or even within the principal dissident movements. Likewise, although Kim Il Sung has managed to appeal to nationalistic sentiments, the North Korean regime is tainted by foreign support to an extent that makes it more like the neo-colonial situation of Castro in Cuba than like the nationalistically pure situation of Ho Chi Minh in Vietnam. Hence, although South Korean nationalism ran headlong against the economic imperative of ties to Japan, South Koreans found themselves relieved of the usual dilemma posed by a domestic nationalism inconsistent with their foreign military alliance.

South Korean Domestic Institutions

While cultural unity, ideological unity, Confucian social organization, traditional ability to cope with confrontation, and a form of nationalism consistent with the U.S. alliance all facilitated South Korean response to a challenge, ultimate responsibility for responding to the challenge lay with South Korean institutions. Regardless of the number of favorable facilitating conditions, if South Korean politics and South Korean institutions were

inherently ineffective, then nothing in the supporting institutions would save the South Korean system in the long run. The Iranians had many favorable facilitating conditions, but the Iranian system was destroyed by domestic political and institutional weakness. Iran's leader was a political-military megalomaniac who managed also to be a coward. The principal institutions through which the Shah governed Iran were corrupt and incompetent. Oil and a rapid rate of economic growth were accompanied by extraordinary social inequality. For various reasons the Shah came to be despised by all segments of Iranian society. How has South Korea avoided this situation in the past, and what are its prospects for avoiding a similar situation in the future? To the extent that this question can be answered in terms of the effectiveness or ineffectiveness of South Korea's domestic institutions, it can explain both the economic success to date and much about the prospects for the future.

It is well to recall that in the 1950s South Korea did not avoid the fate of stagnation, inflation, corruption and collapse. Syngman Rhee's semi-dictatorial government managed to encompass most of the principal vices of weak regimes in military confrontations. Rhee himself had long-standing nationalist credentials and often expressed an economic program that encompassed economic growth in the form of socialism, but his government failed to implement any coherent or successful economic program. The themes of inflation, stagnation, corruption, and eventual collapse marked the Rhee government. Rhee focused almost exclusively upon military and security goals, devoting his attention primarily to military defense against the North, police intimidation of domestic opponents, and ideological anti-communism. He failed to develop strong domestic institutions, and in fact maintained power by constantly churning the government elite so that no alternative leaders or stable institutions could establish themselves. Failure to develop the economy, political policies that alienated

major social groups, and performance which was consistently inferior to that of North Korea eventually brought down the Rhee government. When Rhee fell in 1960, South Korea remained among the poorest countries in the world. Indeed, even five years later, distinguished observers such as James Morley of Columbia University were writing that, administratively and economically, South Korea was a hopeless basket case.

Unfortunately, the successor government did even worse. After the fall of Syngman Rhee, and after a brief interim government, an election brought to power the Democratic Party and its leader, Chang Myon. The victorious Democratic Party was divided into a new faction led by a weak leader, Chang Myon, and an old faction determined to prevent the success of the new faction. Factionalism ensured the emergence of weak parties and weak individuals in numerous ways. The old faction collaborated with former members of Syngman Rhee's Liberal Party, thereby weakening the Democratic Party. Members of the Democratic Party who were defeated in nominating procedures simply ran on the party's ticket anyway, thereby ensuring division of the party's votes and defeat of both nominees. The two factions engaged in violent physical attacks on one another. Mutual slander became a principal form of competition between the factions. Moreover, within the new and the old factions, there was equally serious factionalism.

The party structure of the day ensured the rise of weaklings to the highest political positions. Syngman Rhee's intimidation campaigns weeded out some potentially strong political figures. The rest were weeded out by the determination of the opposition party factions to bring to power weak men whom they could manipulate. Given this background, it was relatively predictable that the regime would behave in an incompetent and opportunistic fashion and would

quickly fall. Similarly, given the inexperience and frequent lack of interest of the principal party politicians in economic and military affairs, and given their focus upon appointing officials in accordance with patronage considerations to the exclusion of merit, it was predictable that their policies would lead to military and economic weakness.

While the democratic regime was greatly to be preferred on purely political grounds, it collapsed due to factionalism and incompetence, despite its development of admirable economic ideas used by its successors. Given a different national tradition, or given a national situation which would have permitted some years of experimentation, it is imaginable that the South Korean democratic regime would have improved. However, there were structural reasons for the early weak leadership, and patronage politics might well have ensured persistent instability. The result was the rise of a quite different regime, initially based exclusively on support from small elements of the military, whose economic and administrative performance was so extraordinary that for two decades political values were submerged in a triumphant economic success. In the first 15 years of Park Chung-Hee's rule, per capita income tripled, one of the world's most egalitarian income distributions became institutionalized, direction of the economy passed from former Japanese and American hands to Korean hands, and exports grew from \$54.8 million to \$12,700 million. During this period South Korea's institutions moved from being small, hapless, and factionalized to being some of the largest and most effective economic and military organizations in the world.

Just as democratic South Korea provided an outstanding example of divided leadership and incompetence, so authoritarian South Korea provides an unusual example of regime unity and skill. South Korea had the advantage of being a homogeneous society which had reacted with relative uniformity to the

horrible experience of a brutal Northern invasion. The society therefore provided the basis for building a unified regime. Patriotic, modern, and honest elements within the military outmaneuvered and purged their competitors within the military and, under the leadership of Park Chung-Hee, proceeded to undertake the same kind of institution-building with the government that had previously occurred within the military. The result was an imposition of merit principles into hitherto corrupt bureaucracies run solely on the principal of patronage.

Rather than maintaining direct power, as so many other Third World military regimes have done, the Korean military quickly retreated from direct exercise of political authority, partly driven by its own motives and partly by U.S. pressure, and proceeded to co-opt the most dynamic civilian leadership. National priorities became focused on economic rather than exclusively military objectives; during a period when U.S. military budgets varied from 10 percent of GNP down to 5 percent, South Korean military budgets remained around 4 percent of GNP until the U.S. withdrawals of the 1970s provoked a crisis of confidence. Wave after wave of the finest available professional talent was drawn into the Korean government by a civilianized leadership determined to impose modernity upon the country. Japanese-trained officials were replaced by American military-trained personnel. Then came a wave of Koreans trained by American civilians, including, successively, natural scientists and engineers in the early 1960s and economists in the late 1960s, followed by political scientists and sociologists in the 1970s. South Korea, unlike North Korea and even Japan, was remarkably open to foreign-trained leadership and, unlike all other societies in Asia, was open to young leaders in their thirties and forties, rather than being run by men like Chiang Kai-shek, Mao Tse-tung, and even Takeo Fukuda. The ability of the South Korean elite to absorb such people was ensured by

institutions which will be further discussed below. These institutions implement the South Korean response to confrontation, and are the keys to Korea's future.

Effective institutions perform well, adapt well to crises, possess structures appropriate to their roles, and are staffed by well-trained and highly motivated personnel. These are the criteria for effective institutional support of regime stability. By examining the largest patterns of institutional performance, adaptability, structure, and personnel over a period of time, one can easily establish the structural soundness of a government in much the way that an architectural inspector assesses the soundness of a building's structural support. The key institutions are the military, the educational system, the ministries promoting urban growth, rural growth, and economic equity, and the political institutions.

The South Korean military grew out of a history of Yi Dynasty insistence upon maintaining civilian control by ensuring the ineffectuality of the military, as well as a later history of Japanese determination not to develop effective Korean military institutions. The U.S. provided minor training programs for the South Koreans in the late 1940s, but did not emphasize them or fund them well, because the training programs were primarily a public relations screen to justify disengagement from Korea in 1948-49. However, during the Korean war, effective South Korean military units were trained, and key institutions were created, namely, the Command and General Staff School, the National Defense College, and above all, the Korea Military Academy. The Korea Military Academy became a base of near-fanatical patriotism, honesty, and emphasis upon modern military training. Young officers like Park Chung-Hee, trained at the Academy, then cleaned up small units of South Korean military, and later used those units as the bases to overthrow the government and to conduct a purge of

corrupt and incompetent senior officers.

By the late 1960s, the loyalty and discipline of the South Korean military were unchallenged by any observer. In some ways, their discipline became superior to that of their American counterparts. Unlike the American Army in Korea, the Korean Army has no drug problem. By the late 1960s, North Korean infiltrators penetrated primarily through the U.S. division because South Korean forces were more effective than U.S. forces in stopping infiltration. By 1971, South Koreans manned the whole border of the demilitarized zone without any serious allegation that military risks resulted from such heavy responsibilities. South Korean troops proved extremely effective in Vietnam, partly because of superior discipline and partly because they did not rely so heavily as Americans on mobility and firepower. A feeling that their performance in Vietnam had been superior to American performance finally terminated a morale problem that had existed ever since the defeat by North Korea in 1950. The institutional development of the South Korean military reflects an increasing emphasis upon patriotism, discipline, honesty, and competence, a pattern of consistently superior performance under varied conditions, a willingness to exploit bright and well-trained young men and to promote them quickly even at the expense of influential senior officers, and the creation of numerous think tanks and other institutional innovations to ensure a constant inflow of innovations. Thus, although military units provide fewer overt indicators of their performance than most other societal institutions unless they are engaged in war, the South Korean military is clearly a highly effective institution.

Similarly, South Korean educational institutions exhibit strong indicators of institutional quality. South Korea at independence lacked virtually all the basics of modern education, namely, schools, teachers, and literacy. It possessed almost no non-Japanese teachers and virtually no textbooks in

any language other than Japanese. Between 1945 and the late 1970s, South Korea's literacy rate rose from 22 percent to well over 90 percent. School registrations rose from 1.4 million in 1945 to 8.7 million in 1977 and teachers from 20,000 to 200,000. During this period, traditional and economically unproductive forms of education in the Confucian classics and in humanistic activities were transformed into a system that emphasized vocational programs and skills that would directly feed a modern economy. At the same time, the educational system provided a uniformity of access and training that greatly facilitated South Korea's achievement of an egalitarian income distribution. In most Third World countries, by contrast, education continues to emphasize the traditional professions rather than modern technical knowledge and to benefit an economic elite. Korea's system has adjusted rapidly to the changing needs of an extraordinarily booming economy, and is in the process of shifting successfully from pure teaching to a teaching and research emphasis. Despite problems, which include a traditional overemphasis on rote learning, and a dissonance created by an effort to square democratically oriented textbooks with South Korean political realities, the system has performed well in both quantitative and qualitative terms, has adjusted to changing social circumstances, has successfully attracted an extraordinarily talented cadre of teachers and administrators, has changed successfully away from an impracticable American-model administrative system to a more centralized South Korean system, and has successfully linked itself to the economic planning institutions and to the president's office through a series of think tanks and other institutional innovations.

A third institutional complex consists of those institutions oriented toward promoting growth of the urban industrial economy and of trade. These institutions, along with the rural development institutions, have faced a

nearly impossible task. "In 1934 the Japanese governor estimated that every spring he saw about half the Korean farmers scouring the countryside for bark and grass to eat."* The Korean economy in the 1950s and the early 1960s grew slowly and was marked by massive unemployment. However, after the institutional reforms promulgated by the Park Chung-Hee government, Korea's growth rate soared, based largely on industrialization and trade growth. From 1962 to 1977, Korea's average economic growth rate was 10.3 percent; from 1970 to 1977, it was 10.8 percent; since the 1973 oil embargo, it has exceeded 11 percent. Unemployment has largely disappeared. Social infrastructure has kept up with economic growth and with urbanization, although Seoul has grown to 8 million people. These economic successes have been paced by South Korean trade. Exports rose from \$54.8 million in 1962 to \$12.7 billion in 1977.

These economic growth successes have not been a hothouse plant. Although South Korea imports most of its energy in the form of oil, growth since the oil embargo has been more rapid than growth before the oil embargo. Although South Korea had few exports to the Middle East in 1973-44, it not only surmounted the balance of payments crisis caused by the skyrocketing oil prices, but also managed to balance its trade with the Middle East by 1976 and to earn a balance of payments surplus from the Middle East thereafter. Korea has surmounted Western protectionism by responding to limits on export volume with improvements in export quality. Its exports rose more than 20 percent even in the years of severe recession. Its export growth rates have not declined in the period of Western protectionism. Although South Korea is highly dependent upon world trade, it has achieved its five year plan (1972-76) goals despite the

*Irma Adelman and Sherman Robinson, Income Distribution Policy in Developing Countries: A Case Study of Korea (Stanford, California: Stanford University Press, 1978), p. 38, citing T. Hataka, History of Korea (New York: Clio Press, 1969), p. 126.

oil embargo, Western protectionism, and world recession. Its economic growth rate has never dropped lower than 8.3 percent per year since the Arab oil embargo.

South Korea's economic growth has been planned by government planning units, guided by the credit rationing of the Bank of Korea, led by the development of massive trading companies (13 of which exported over \$100 million by 1977), and staffed by executives in their late thirties and early forties who were trained at the best American institutions. Thus, by the criteria of general performance, crisis performance, structural soundness, and personnel quality, South Korea's economic institutions appear very sound indeed.

South Korea's rural development institutions have followed a parallel course. Rural development was slighted in favor of urban development until the early 1970s, but in the meantime the government built the basic infrastructure of roads and communications, created an agricultural extension network, introduced new varieties of rice, and subsidized fertilizer. Beginning in 1970, the government introduced the Saemaul program, which provides villagers with assistance in building roads, conference facilities, bridges, irrigation networks, reservoirs, and water distribution systems, and teaches villagers how to organize for development. The government successfully put the primary onus for planning projects on the villages themselves, and provided assistance only in return for large efforts from the villagers. It rewarded the most successful villages, rather than subsidizing the least successful. The result was rapid rural development which did not place a huge administrative or economic burden on the central government and which was driven by a chain reaction of expectations of success. As a result of this program and subsidized rice prices, South Korea went from being a major rice importer to being a rice exporter. Farm income has risen roughly in accordance with the extraordinary growth of urban

income. The distribution of land and income has nonetheless remained remarkably egalitarian. Villagers who once lived in poverty reminiscent of Pakistan or Bangladesh now universally possess radios, cement, good housing, and piped water, and assume that they will dress well, send their children to competent schools, and, increasingly, even take vacations.

All these developments have put a strain on South Korea's income distribution programs. It is generally accepted among economists that economies at South Korea's level of development tend to experience the most intense pressures to increase income inequality. Moreover, it is generally believed that an emphasis on rapid economic growth tends to exacerbate income inequality. The more rapid growth of urban industry than of rural agriculture enhances unequalizing tendencies. South Korea thus faces extraordinary pressures toward increasing inequality. Despite these pressures, South Korea has not employed the Western techniques of massive income transfers, minimum wages, and unionization. It has, however, conducted a massive land reform, made reduction of unemployment the highest priority economic goal, emphasized labor-intensive industrialization, adopted progressive tax policies, and adopted massive luxury taxes. It has taken strong action to ensure that educational opportunity is uniform, even to the extent of abolishing five elite high schools which were at one time providing more than half the entrants into the Seoul National University. The result is that, although South Korea faces extraordinary pressures toward an inegalitarian income distribution, and although econometric models of the South Korean economy show it to be very resistant to income redistribution programs, South Korea has ended up with an income distribution more egalitarian than all but five countries in the non-communist world.

South Korea's political institutions represent a more mixed situation. South Korea entered the 1950s with only a sense of cultural identity as a

major political asset. South Korea's sense of nationality was pan-Korean and therefore as much a dividing as a unifying force. The country was ideologically polarized between extreme right and extreme left, and it lacked even the most elemental consensus as to the appropriate means of governance. Outbreaks of rural and urban violence were common. Political parties, government ministers, and the military and police were all divided into contending factions that frequently immobilized them. Bribery and corruption were massive and omnipresent. The tenure of high officials other than the president was typically only a few months.

South Korean politics have from the beginning been driven by fear of the North. Hierarchical administration, centralized politics, fearful repression of opponents, and great secrecy are the hallmarks of any system faced with security threats. Even the U.S. imprisoned 100,000 Japanese and 25,000 Germans in World War II without cause. Even Britain acceded to the temptation to use torture in Northern Ireland. The development of classified information systems and intricate, secretive counter-intelligence organizations developed to a high degree in the West under the pressure of the Cold War, even to the extent of creating a potential constitutional crisis in the U.S. during the Nixon years. South Korea's weak institutions, facing an omnipresent and far more immediate threat in the 1950s and 1960s, naturally reacted and overreacted far more than their Western counterparts. To say this is not to excuse overreactions in any of these societies. But any textbook on democratic theory would lead one to the conclusion that South Korea in the 1950s and 1960s, divided ideologically, barely sufficient militarily, and governed by weak institutions, was hardly an outstanding candidate for stable, open populist democracy. Some political leaders may have taken advantage of fear of the North, but there was no escape in those years from fear of the North as the driving force of South Korean

politics -- any more than there was escape for the U.S. in 1942 from fear of the Japanese.

Since that time, South Korea has achieved an anti-communist national consensus and a consensus on the basic modes of urban economic development, rural economic development, and income distribution, although the presence of a small group of extremely rich entrepreneurs and politicians remains the subject of intense political controversy. Despite the consensus, harsh methods in dealing with political opponents ensure a degree of dissension. South Korea under Park appeared to have successfully come to terms with the problem of the military in politics, having civilianized a formerly military government and ensured high professional military standards. A government which is relatively small in proportion to population and proportion of the economy exercises extraordinarily successful control over the nation's economy and other aspects of society. The government as a whole is honest, able to act, highly competent in achieving its goals, and able to attract the best talent available. In addition to ministries of the kind that other governments possess, the South Korean system includes a group of think-tanks reporting directly to the president on every major governmental function from education to income redistribution. Those think-tanks ensure a steady flow of high-powered talent and modern innovations to the center of the government. The South Korean system also includes a centralized communication and coordination mechanism, the Korean Central Intelligence Agency, which appears to provide a sensitive coordination mechanism, while at the same time acting as an unusually insensitive tool of political repression. The South Korean government works effectively with business as well as the military in ensuring that such national goals as security, rapid growth, and egalitarian income distribution are achieved. The South Korean government has thus achieved a great deal, including a consensus on many of the major issues, effectiveness of individual institutions, and overall

coordination of major institutions. It does, however, face major future problems, including succession to President Park, the necessity to counteract political polarization, and the need for a positive ideological consensus to complement the anti-communist consensus.

The overall South Korean institutional system appears to have an unusual coherence by Third World standards. The economic institutions complement one another to achieve South Korea's goals and ameliorate conflicts among them. The open trading economy emphasizes exports of manufactured goods produced by labor-intensive means. Successful export of these goods raises the incomes of the poorest workers, thereby ameliorating the urban income distribution. These workers spend most of their additional income on food, thereby enhancing demand for agricultural products. Korea's farms, whose rising agricultural productivity would in other circumstances lead to gluts and disastrous declines in farm income, therefore enjoy rising demand and rising prices. The good fortune of urban workers attracts the poorest rural people to the cities, thereby ameliorating the income distribution of the rural areas and offering improved conditions to the urban immigrants. Thus agricultural income and urban income rise in tandem. Government works with business and with agriculture to assure rapid technological progress and to minimize social disruption. Thus, while South Korea faces difficult problems in the future, it addresses those problems with a base of institutional strength and competence that is almost unique in the Third World.

To return to the basic theme of challenge and response, the basic reason for creation of those institutions was the North-South confrontation. Acceptance of the stern institution-building measures of Park Chung-Hee was predicated on fear of the North. Moreover, the way in which those institutions work day by day depends heavily, although invisibly, on fear of the North. There is

in South Korea far less tolerance of incompetence and inefficiency than elsewhere in the world, including the United States. Men who grow old and weak in their jobs are replaced more quickly than elsewhere. Government decisions to bail out individual firms are much more economically rational than elsewhere. The ultimate cause of this efficiency is fear -- the fear that sloppy decisions will imperil the nation's future. The same fear is of course employed in the interest of regime stability, and sometimes in ways that appear politically self-serving whether or not they are intended to be. While the solid institutional base, and its efficient modes of operation, bode well for the future, and particularly for the future of the economy and military, the political residues of fear present the principal question mark regarding the brightness of South Korea's future.

Prospects for the Future

The success of the South Korean system in the past does not necessarily ensure favorable prospects for the future. Certain favorable conditions for the future have been established, while certain dilemmas for the future have been sharpened. It is therefore necessary to strike a balance between the established strengths and the emerging problems.

Since this essay has focused on the South Korean response to confrontation, it is appropriate to begin with whether confrontation is becoming more or less severe. The confrontation is a function of the strengths and strategies of the two sides and of their supporters. South Korea's military has gone from a fractionalized, incompetent, technologically impoverished organization into a unified, disciplined, extremely professional organization equipped with a great deal of modern technology. In a toe-to-toe comparison of key components of army, air force, and navy, the South Koreans and the North Koreans come off

roughly equal. However, the North retains certain advantages. It has the advantage of initiative and surprise, the advantage of superior mobility, the advantage of superior guerrilla and infiltration forces, and an intelligence advantage of tremendous importance owing to the openness of South Korean society and the extraordinary degree to which North Korea is impermeable to external observation of its military activities. North Korea derives extraordinary advantages from being a decentralized, dispersed society and economy facing a South Korean society highly concentrated in Seoul, which is only 30 miles from the border. For all these reasons, most military observers believe that, without American support, Seoul would be overwhelmed by North Korean forces within a few days of a surprise attack and that avoiding such an outcome could be difficult even with full American support. This conclusion goes against much political science literature on the subject, but the latter literature is based upon analysis of the kinds of advantages and disadvantages mentioned above. Korea's situation was greatly exacerbated by President Carter's desire to withdraw U.S. troops from South Korea, based upon the assumption that the static political science analyses, rather than the dynamic military analyses, were correct.

The current Korean situation was until recently exacerbated by a fundamental misunderstanding of the strategic situation. Early Carter administration analyses assumed that, since South Korea was gradually winning and had long-term prospects for continuing to win, North Korea would be decisively deterred from attack. However, a rational North Korean calculation would conclude just the opposite. It has been an axiom of military thought at least since Machiavelli that, when time is on the side of an opponent, now is the time to attack. This strategic situation is complemented by Kim Il-Sung's personal situation, which probably gives him only a few more years to achieve his great, patriotic goal

of unifying the Korean nation. In this situation, the American plans for withdrawal, until neutralized in the summer of 1979, appeared to many diplomats and generals to be very dangerous for future prospects of South Korea. It was recognition of this situation, and of the shared concern in Japan, in Southeast Asia, and even in China, that the Carter administration reversed its position.* The reversal of the Carter administration position, however, appears to consolidate the military strength of South Korea at a time when North Korea has severe diplomatic difficulties with both China and the Soviet Union and therefore would have grave difficulty supporting an invasion which did not succeed within the first month or two. Even if the Carter withdrawal proposals are reborn a few years from now, the position of South Korea will be much stronger and the withdrawals will therefore be less dangerous.

Meanwhile, however, the U.S. withdrawals, including both the withdrawal of one division in 1971 and the beginning of the Carter withdrawal of the only remaining division in 1977, have challenged a central priority in the South Korean development program, namely, the dominance of the civilian economy over the military economy. Beginning when South Korea was first told that one of the divisions would be withdrawn, the military budget gradually crept up to slightly above 6 percent. While this level of budget merely brings the South Korean budget up to levels typical of the American defense budget, it represents a drain on resources of substantial magnitude and one which, as will be seen below, comes at a critical moment. The rise to 6 percent has not been perceived as adequate by Carter administration officials, who have pressed South Korea into a billion dollar defense budget increase. The result could be a substantial reorientation of the South Korean economy from largely civilian

*New intelligence estimates provided the primary justification for the Carter reversal, but the concerns of analysts pressing for reversal went much deeper.

priorities to heavily military priorities. A country which has in the past not produced its own military equipment to anything like the extent done in North Korea is coming increasingly to believe that it must move toward relative self-sufficiency. The development of key high-technology military industries, such as military aircraft, will require economies of scale to be efficient; this imperative, combined with South Korea's export orientation, could easily make South Korea one of the world's great conventional arms exporters a generation hence. (The irony of this process is that it somewhat undercuts the Carter policy assumption that continued civilian economic growth will rapidly make the North Korean economy inferior, drastically undermines Carter administration civilian political goals in South Korea, and probably does more than any other single policy to undermine Carter administration goals in controlling the worldwide conventional arms trade.)

These developments occur at a time when the tradeoffs in the economy have become more severe and delicate than in the past. Rising domestic expectations have led to extraordinary wage increases, approximating 30 percent per year for the three years 1976-78. These wage increases have made South Korea less competitive internationally. Wage rises, energy price rises, and a flood of currency from exports to the Middle East have contributed to an inflation that appears to be raising prices at a rate of 30-50 percent per year. (Official statistics are regarded as severely underestimating inflation.) Rising energy prices, a slowdown in the world economy, and rising Western protectionism are making the South Korean economic environment less favorable. None of this implies that Korea is headed for economic disaster. The future does not hold collapse, but it probably cannot support the 10-12 percent annual growth rates of the past, either.

Finally, South Korea is in a more difficult political environment. The meritocratic bureaucracies which the Park regime worked so hard to establish are now taken for granted. Economic growth at 10 percent per annum is now taken for granted. A substantial measure of military security is now taken for granted. A formerly unified business-government-military elite, focused on economic development and military security, has given way to a more diverse elite in which the goals of business may prove more pluralistic than the goals of the military-supported government. The position of labor is increasingly ambivalent, with the skilled elite and many docile unions largely supporting the government, but with more and more organized groups of relatively unskilled workers demanding faster rises in their standard of living.

Three tensions have been rising in South Korea during recent years. The first is the tension between an increasingly pluralistic society and a highly centralized, hierarchical political administration. The second, closely related, is the difficulty of managing the increasingly complex economic system of South Korea from Blue House. The third is the rising tension between Free World ideals, which have been inculcated by the education system, and authoritarian politics. These tensions have for several years exacerbated problems concerning students, labor, and overall economic management.

These same conditions, however, make conceivable the achievement in the future of democratic institutions that are compatible with growth and security. South Korea has a widespread consensus on issues which were terribly divisive in the early 1960s: anti-communism, the market economy, the role of the trading companies, relations with the U.S. and Japan. South Korea has a new confidence in itself which means that, while fear of the North must remain a priority concern, it need not remain an all-consuming concern. South Korea's

strong institutions would now be able to implement economic growth plans, whereas the institutions of 1960-61 were too faction-ridden and weak.

In short, fear of the North led to the creation of institutions focused on economic and military problems, which created both a great economic takeoff and an authoritarian political system. Economic success has underpinned strong institutions, social consensus, military security, economic complexity, and social pluralism, all of which tend to undermine the political system of the Park Chung-Hee era. But they also make it feasible for South Korea to advance its political institutions, in the way it has previously advanced its military, economic and administrative institutions, while consolidating its economic and military successes. The North is no longer needed to drive the economy. Fear of the North need no longer be the predominant consideration in politics. South Korea has risen to the Northern challenge and has been strengthened by it in economic and military spheres. Syngman Rhee had to be obsessed, in politics and in economics as well as military areas, by the Northern challenge. Under Park Chung-Hee the South's economy transcended obsession with the Northern challenge. Under Park Chung-Hee's successor the polity must do likewise. There is no going back. There is no reversing the consequences of social pluralism, economic complexity, rising confidence, and spreading democratic consensus except at the cost of domestic conflict of a magnitude that might destroy many of the social accomplishments of the Park era.

The tensions created by fear of the North, combined with the traditional fractiousness of Korean political life, have led students of South Korea to write its history in terms of great conflicts: Park versus the Democratic Party and New Democratic Party; the military versus civilians; economic and security imperatives versus political imperatives. These conflicts are very real. But excessive emphasis on conflict can obscure the extent to which the

conflicting sides complement one another and the extent to which the competing groups can build upon one another in different phases of development. The anti-Japanese emphasis of Syngman Rhee and the early nationalists was a prerequisite to the national unity necessary to defend South Korea. The military obsession of Syngman Rhee was a prerequisite of the security necessary to build the economy. Economic success has been the prerequisite of the social consensus, confidence, and education necessary to make democracy feasible. Without ignoring the conflicts and excesses, it is important for South Koreans now to emphasize the extent to which each leader has built upon the successes of his predecessor, and each political phase has raised South Korean society to a new plateau. The basic program for economic success in the 1960s and 1970s was designed by the Democratic Party, which could not, however, implement it. Park Chung-Hee implemented the economic program of the Democratic Party by creating institutions capable of administering and protecting it. Today's political parties build upon the economic and administrative infrastructure of their predecessors.

Put another way, one can look at South Korean history in one of two ways. The first is that there has been a conflict between good men and evil men. (Park's people think the democrats evil because they endanger order and stability; the opposition thinks Park's people evil because they are undemocratic.) The second is that South Korea has many goals to accomplish and needs different men and different means to accomplish them sequentially. Although democratic politics did in fact lead to disorder in 1960-61, it also created the economic plan; to associate democracy with disorder today is as anachronistic as associating diplomatic ties to Japan with colonialism. Although the Park regime's values and structures were undemocratic, it did objectively create the conditions (security, pluralism, consensus, education) that Western philosophers have

always regarded as prerequisites to stable democracy. Emphasis on this second perspective makes more historical sense; it also heightens the likelihood of political success.

In historical perspective, the legacy of Park Chung-Hee and the challenge of the future both acquire new interpretations. The struggle of South Korea since 1950 has been to transcend the obsession with the North, to attain a society in the South which reflects southern aspirations and does not merely respond like a puppet to the imperatives of the northern challenge. It was the genius of Park Chung-Hee, using the Democratic Party's economic plan, to create an economy which is largely civilian and largely devoted to the welfare of South Korean citizens, instead of an economy which was dominated by military men and military imperatives. North Korea has not achieved what South Korea achieved in this respect. Park's low military budgets were radical for a military man. His egalitarian tax and other economic policies were radical for a free market economy. The ties to Japan which he implemented were radical for the leader of a nation that had just freed itself from colonialism. These innovative policies were brilliantly successful. Their success made it possible that some future government will achieve similar successes in the political area.

It is a mistake for Park's detractors to dismiss his legacy as consisting primarily of authoritarianism. Economic and social achievements were the core of his era; if political institutions of equal success are now established, they will stand on the shoulders of his military, economic and social institutions. Likewise, it is a fundamental historical error for President Park's admirers to perceive political authoritarianism as the core of his legacy. Just as Syngman Rhee did not have the inclination or opportunity to deal with Korea's great economic problems, so Park Chung-Hee lacked the inclination or opportunity to address South Korea's great political problems. Just as Rhee's economic policies

could not be continued after 1960, so Park's political policies cannot be continued after 1979.

It is the historical task of the next generation of South Korean political leaders to create political institutions which transcend the narrow, closed, fearful response to the North Korean threat, just as Park created economic institutions which transcended the narrow, closed, fearful, military-oriented response to the Northern threat. To the extent that the task is perceived in this way, the present divisions of South Korean society can be healed.

To the extent that the coming generation of leaders rises to this challenge, the following generation will be able to undertake with confidence the remaining challenge: the challenge of healing the breach with North Korea. Despite the auspicious negotiations now under way, South Korea can never confidently negotiate and compromise fundamental issues with the North until it heals the present dangerous divisions within the South.

The Northern threat drove South Korean economics until the late 1960s, and it has driven South Korean politics until today. The North provided the challenge which inspired South Korean economic, military, social and administrative successes. But the most important criterion of economic success has been the transcending of the threat, the creation of an economy whose driving force is the needs of the people, not just the imperatives of the Northern threat. The central criterion for political success is the same. Achieving it will require the same imagination, the same inspiration, that Park Chung-Hee brought to the South Korean economy.