

A Document-Based Question
Korea's Economic Development

Despite early economic struggles and the devastation wrought by the Korean War, South Korea has achieved an incredible record of growth and integration into the world economy since the early 1960s. In 1961, monetary value of all goods and services produced in the country, or the gross national domestic product (GDP), was at the level of many poor developing countries. By 2004, South Korea had joined the wealthiest of the world's economies. The GDP per capita adjusted by Purchasing Power Parity (PPP) was recorded at 34,386 US dollars in 2015, higher than the average European Union countries.

The Lesson: Korea's Economic Development

Grades: 10 and 12

Subjects: World History and Economics

Time: One or more class periods

Objectives:

1. Demonstrate to students the importance of finding the most reliable sources of information.
2. Convey how South Korea was able to achieve rapid economic development and technological advancement after the devastating Korean War.
3. Provide awareness of the importance of education not only for the individual, but the value of recognizing that when a nation's citizens are well-educated and highly motivated the quality of life for virtually everyone can improve.
4. Build upon one's knowledge of history and economics.
5. Support a key theme of the Advanced Placement World history exam: "Creation, Expansion, and Interaction of Economic Systems." (Note the following quotation)

"The twentieth and twenty-first centuries have witnessed experiments with many forms of economic organization, as well as a steady march toward the near-complete globalization of economic affairs, a development that has presented both costs and benefits....Immense wealth has been created in the aggregate during this era – more than the world has ever seen before – but it remains very unevenly distributed, both within societies and between them." (AP World History, Barron's, 2016)

Note: The documents on the following pages were selected for the following reasons:

1) to understand South Korea's impressive economic and technological development; 2) recognize the importance of accessing knowledge from reputable sources (the documents were written by some of the most highly regarded scholars of Korean Studies in the United States); 3) provide students with accessible, accurate, and interesting information appropriate for high school students of World History and Economics.

Korean Economic Development

Document A - Carter J. Eckert, et al. *Korea Old and New: A History*. 1990. 397-398, 407-8.

“While the credit and responsibility for South Korean development ultimately rests with the Koreans themselves, the influence of foreign powers in shaping the country's economy has been extraordinary....It was the Japanese colonialism [1910-1945] that ultimately laid the foundation for a modern transformation of the economy. To be sure, colonial development was geared to Japanese, rather than Korean, goals and needs. But the changes effected were nevertheless historic. The first and most important point...is that the United States since 1945 has been the decisive factor in the creation and maintenance of a political environment on the Korean peninsula in which South Korea's particular capitalist development has taken place....In addition to insuring a political environment conducive to capitalist development, the U.S. has directly or indirectly sought to foster economic growth in South Korea....American policy makers have also tended to see the development of a strong capitalist in Korea (and elsewhere) as an integral part of their anticommunist strategy and have consequently provided South Korea with large amounts of the two things they needed the most: capital and technology. Between 1946 and 1976 the U.S. supplied a total of \$12.6 billion in economic and military assistance to South Korea – more dollars per capita of aid than to any other foreign country except South Vietnam and Israel....The influx of American capital into South Korea has been accompanied by a corresponding flow of American technology and technical expertise.

[Korea's] essential homogeneity and historically based sense of cultural attainment helped pave the way for modern Korean nationalism, which gradually developed in reaction to foreign imperialism and occupation in the late nineteenth and twentieth centuries. Colonialism, in particular, intensified nascent nationalist feeling by providing a clear external enemy and by leaving many Koreans with a passionate post-colonial resolve to match or outdo the economic achievements of their former colonial overlords....the continued strong sense of national unity and destiny and the catalytic bitterness and anger (*hanin* Korean) of the colonial experience – have been consciously and effectively harnessed in the service of economic growth by South Korea's developmental state.”

Doc. B Korea in *World History*, Donald Clark, 2012. 48-50.

“The leader of the May 16, 1961, military coup in South Korea, General Park Chung-hee, vowed to lead his country out of poverty and suffering that had plagued its people since the Korean War. He cracked down on corruption and exhorted his people to work hard and save for the future. He created a central Economic Planning Board (EPB) and used his power to open doors to foreign money, borrowing capital and negotiating for aid from the United States and Japan. Beginning with this, the EPB mapped out a series of five-year plans that set ambitious targets for production. Using the slogan “Production, Exports, Construction!” the government made the Korean economy produce goods that could be sold abroad, earning foreign exchange that could be used to buy imported raw materials, machines, and advanced equipment for further production. The park government also sent Korean workers to Europe and the Middle East to earn money in places where labor was scarce. In the 1960s Korean troops fought in Vietnam, their expenses paid by the United States. These multiple sources of revenue from outside Korea “primed the pump” of the Korean economy and made it possible to exceed the five-year plan targets time after time.

The government also stressed rural development through a program called the New Community Movement. Aimed at increasing agricultural productivity and raising the standard of living in the countryside, the New Community Movement made credit available to farmers; supplied them with seeds, fertilizers, and pesticides; installed electricity and safe water; promoted public health; paved roads; built schools; and improved transportation and communications. These improvements together with the trend toward urbanization dramatically increased per capita production in the provinces and narrowed the gap in living standards between Koreans who lived in the cities and rural villages.

The enormous sacrifices required to accomplish these things were not evenly distributed despite the government’s best efforts. Many Koreans suffered under brutal working conditions. The rate of injuries and accidents among those who did “3-D” kinds of work (difficult, dirty, and dangerous), workers such as miners and those who worked in urban sweatshops, was very high...

On the other hand, the Park government tried to engineer the success of Korea’s biggest companies by having government-controlled banks make them government-guaranteed loans. These companies quickly became conglomerates, called *chaebŏl*, which were comprised of families of companies. The Hyundai *chaebŏl*, for example, includes automobiles, construction, shipping, and retailing components. Samsung, which started out with textiles, developed an electronics manufacturing specialty that became known around the world, first for televisions and microwave ovens and then for semiconductors and other high-tech computer components. Demand for Korean products overseas helped free Korea from foreign aid and then enriched the *chaebŏl*, enabling them to buy up smaller companies and grow big enough to control a significant part of the national economy.

When workers saw the wealth that was accumulating in the *chaebŏl*, they demanded higher wages. The Park government, however, resisted any loosening of control over the workforce. It argued that worker unrest was a threat to national security that would destabilize the country and invite intervention by Communist North Korea. Park used the national security argument to make himself a virtual dictator by 1974, ruling by decree and outlawing all criticism of himself or his style.”

Document C *Korea’s Place in the Sun; A Modern History*, Bruce Cumings, 1997. 335-336.

“The Korean model of development had its heyday during Park’s years from 1961 to 1979, and as they ended the economy briefly ran into a period of crisis. The economy lost 6 percent of the GNP in 1980, and exports did not really rebound until 1983. [With the support of Japan’s government and Export-Import Bank loans] combined with American support helped South Korea escape its economic crisis.

The big push, which had contributed to the last 1970s economic difficulties became a great boon to the Korean economy in the mid-1980s as Korean exports of heavy industrial goods took off and the economy grew by more than 12 percent a year from 1985 through 1988....Korea’s unionization rate has remained low by international standards; about 12 percent in 1985, it was up to 18 percent by 1990 – about the American rate of unionism, but much lower than European rates.... The total value of the stock market increased 28-fold in the period 1980-1989. In the early 1990s Korea was the ninth largest market in the world, and expected to be the fourth largest by the year 2000. Meanwhile, the *chaebŏl*, tired of generals coming in and seizing their property or telling them what industries to invest in, clearly moved in the same direction as the middle class, toward democratic elections and the rule of law.”

Doc. D *Korea: Division, Reunification, and U.S. Foreign Policy*, Martin Hart-Landsberg, 1998. 181-182.

“It is noteworthy that although Park’s state-centered economic approach directly contradicted past U.S. recommendations... the U.S. government did not actively object. Apparently, the United States was willing to accept whatever was necessary to ensure the victory of ‘free’ South Korea over ‘red’ North Korea. Thus, as long as the Cold War contest remained in doubt, and as long as South Korean growth was sustained, the United States was prepared to grant Park a degree of freedom to set policy that it granted few other leaders.

Park received money from the United States by agreeing to send South Korean troops to fight in Vietnam. Some 300,000 went, and according to the terms of a secret arrangement, the U.S. government paid a bonus in dollars for each of them. The United States also agreed to purchase war supplies in South Korea, allow South Korean firms to act to purchase war supplies in South Korea, allow South Korean firms to act as subcontractors for construction and service work in Vietnam, and modernize the South Korean military.”

Doc. E *The Two Koreas: A Contemporary History*, Don Oberdorfer, 1997. 33-35.

“Today, however, Park is remembered less for his conflicts with Washington and successive waves of political repression than as the father of his country’s remarkable economic progress. More than two-thirds of South Koreans polled by a Seoul daily in March 1995 said Park was the country’s greatest president, more than five times the number that gave that honor to any other chief executive. The overwhelming reasons cited were the economic progress and development under his regime, and its relative stability.

Park refused to be guided by economists when he was determined to move ahead with one of his visionary projects. When American and World Bank economists said that South Korea could not successfully build, operate, or support an integrated steel mill and refused to approve financing, Park remained determined to build it. Declaring that ‘steel is national power,’ he obtained Japanese loans and personally pushed through construction of a massive mill at Pohang, on the southeast coast, which became the world’s largest steel-production site and the foundation of Korea’s heavy industry.”

Doc. F *Ethnic Nationalism in Korea: Genealogy, Politics, and Legacy*, Gi-Wook Shin, 2006. 103.

“Park Chung-Hee took power through a coup in May 1961 and established the draconian *yusin* system in 1972. He was no doubt an autocratic leader, ruling the country with an iron fist. At the same time, Park, like Rhee and like Kim in the North, was a politician who recognized the power of nationalism in governing a country. Throughout his tenure as president, Park relied heavily on nationalist rhetoric to justify his illegal power taking and extralegal exercise of authority. His coup was portrayed as an effort to achieve ‘modernization of the fatherland,’ and his 1972 *yusin* reform was depicted as a ‘save-the-nation movement’ necessitated by changing domestic and international conditions. From the time he seized power, he identified national ‘security’ and ‘development’ as the main tasks faced by the nation and justified his action as a patriotic mission. Park skillfully fused nationalism into anti-Communism and developmentalism in legitimizing his authoritarian politics.”

Doc. GA *Concise History of Korea: From Antiquity to the Present*, Michael Seth, 2016. 421, 424, 426, 428.

“South Koreans often attribute their nation’s economic growth to traditional values loosely associated with Confucianism. By this they mean hard work, discipline, respect for learning, frugality, and the importance of family.

South Korea’s economic transformation was also made possible by the social transformation that was occurring in the country. Old social classes and social barriers were breaking down; the society was opening up to talent, becoming both highly competitive and more literate. The upheavals that resulted from the colonial period, the Second World War, the partition, and the

Korean War had created a more fluid society....millions of people had been exposed to a world beyond the village and were restless and open to new opportunities. There was also a sense of optimism a belief in the possibility of a better life, noted by foreign observers and often regarded by them as unrealistic.

The transformation of South Korea into a highly literate, well-schooled nation was a key component of the economic and social development. Educational development did not just keep pace with economic development, it preceded and outpaced it. While it is difficult to establish a direct correlation between education and economic development, South Korea in the 1960s, 1970s, and 1980s was able to offer a labor force that was literate, numerate, and used to learning while still low wage....By the 1990s newspaper readership was among the highest in the world. South Korea's educational transformation by providing a well-educated citizenry not only contributed to its economic growth but also probably facilitated the transition to democracy."

South Korea's economic takeoff was one of the most dramatic in modern history. Foreigner after 1945 pointed to the country's lack of resources and its dense population as great obstacles. But history has shown that there is little correlation between natural resources and development. In fact, reliance on commodities such as mineral and agricultural products has often proved to be an ineffective path to development, since commodity prices are subject to sharp swings, resulting in a boom-bust cycle, and they do not necessarily lead to the development of important technical skills. The path to development that the ROK followed – export-led growth focusing on manufacturing – has been the most successful in achieving long-term sustained economic growth. Japan's growth rates before World War I and after the Korean War were also impressive....Taiwan and Singapore grew at comparable rates. None of these societies, however, was as poverty-stricken or had such dismal prospects as did the ROK in 1960. China might be more comparable, but its growth, due to its vast size, has been more regional, with large segments of the country and its people left behind."

Suggested discussion questions and opportunities for written work:

What are the main reasons for South Korea's successful economic and technological development?

What are policies that underdeveloped countries might adopt from the Korean example revealed in the documents?

Economies the world over remain vulnerable to business cycles of periodic boom and bust, and the more integrated they become, the more vulnerability they share. From what you have studied from history and economics, what economic system seems to be the best for the greatest quality of life for most of the people? Support your statement.