

# Development of Korean Democracy: Is there a Korean Model ?

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## Introduction

The East Asian model (or Korean model) of economic development has been a favorite topic among development theorists. Cultural-historical heritage of the concerned countries (or country) along with a smart development strategy orchestrated by the state have been cited as important factors contributing to the economic development. A world-wide wave of democratic transition has come to some of the East Asian countries such as Korea, Taiwan, the Philippines and Thailand. Some scholars emphasize economic conditions of democracy or democratization while some argue for the effects of regime on economy. Korea is one of the first generation NICs and many South East Asian countries are the second generation NICs. Yet Korea and the two South East Asian countries became democratized one after another in the late half of 1980s. If level of economic development matters with regard to democracy, the future of democracies in the three countries is expected to diverge. If other factors are more influential than the economic ones, how would they ultimately shape the democracy in those countries?

In order to answer the question, I, as a Korean scholar, would like to figure out a 'Korean model of democracy' if any in the context of its economic, social and institutional bases. Given shared similarities between Korea and the South East Asian countries, the Korean model (or no model) might be suggestive to the latter countries.

## 1. Brief History of Korean Politics

Since liberation from Japanese colonial control, Korean politics has experienced turbulent change with respect to regime and power structure. The current constitution is the 10th revised version, although the main context of the document has remained the same. The subject of constitutional amendments have been selection of the president and the length of the presidential term. In other words, constitution has been no more than a vehicle of restructuring power. With the virtually same constitution, Korean political regime has alternated from democratic to authoritarian

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*This paper was prepared for a conference on " Korea and Southeast Asia : Prospects of Bilateral Cooperation in the Era of ASEAN 10 " organized by Institute of East Asian Studies , Thammasat University and the Korean Association of Southeast Asian Studies (KASEAS) , Bangkok July 4,1997.*

and again to democratic. The experience of arbitrary constitutional changes makes both political elites and people think that the constitution is a temporary document sued by the power holders for extending their power.

Succession crisis another character of Korean politics. No president or is an prime minister has completed his full term in office until 1988 when Chun Doo Whan transferred presidency to his successor. Either student demonstrations or military coups generated new regimes. This is why the former president Chun, who rose to power with bloody coup, is proud of leaving the Blue House, the presidential mansion, "peacefully". Since the retirement of Chun Doo Whan, the so-called "guarantee of the incumbent president's safety after his retirement" has been the most important goal of the ruling party's succession plans.

The military junta who came to power in 1996 initiated the country's first full-scale industrialization after the junta transformed themselves into civilian-rulers, they transformed the military government into a civilian one in 1963. They adopted the presidential system. Although all the institutional arrangements appeared democratic, but their actual operation was managed in an authoritarian way. Socio-economic exclusion of popular sector was fabricated for the convenient management of political economic affairs. The appearance of full-scale authoritarian regime in 1972 was signaled by the extension of presidential term by adding one more four year term to the original American style two four-year-term scheme. The "palace coup" of 1972 removed virtually all the "democratic" ornaments which were regarded as *counterbalancing* the advantage of the late-late comers" of economic development by the coup leaders. Regime crisis coupled with the excessive investment in heavy and chemical industry sectors resulted in the assassination of the dictator president Park Chung Hee in 1979.

General Chun Doo Whan blocked Koreans' aspiration for recovering democratic regime through several rounds of military coups in 1979-1980. The regime that came to power was by no means a new regime. Institutional arrangements and their operational style were almost the same as those of the 4th Republic preceding it. The re-equilibrated authoritarian regime successfully reformed the economy suffering from excessive investment in heavy and chemical industry sectors. Despite its success in reformed the economy, the regime failed to overcome its legitimacy problem.

The democratization of 1987 led to the establishment of the 6th republic by Roh Tae Woo. President Kim Young Sam succeeded Roh in accordance with the electoral procedure provided by the constitution in 1993. The forthcoming presidential election is scheduled to be held in December of 1997. President Kim is alleged to be involved in politically damaging scandals including Hanbo incident and revision of labor laws. The authority of President Kim, who will be stepping down in the early 1998, is rapidly eroding as the scandals come to light.

## 2. Economic Conditions of Korean Politics

Many political theorists argue for the importance of economic conditions for the development of democracy. Some argue that democracy promotes economic growth while others

argue that economy conditions the survival of democracy. Each of them draws critics and sympathizers.<sup>1</sup> According to Przeworski who studied 100 democracies having existed in 1950-90, democratic regimes whose per capita GNP is above that of Argentina in 1975--US\$6,055 have never collapsed.<sup>2</sup> On the basis of this finding, we can argue that Korean democracy will not collapse.

Until the early 1960s, Korea was one of the poorest countries in the world. The country initiated a full-scale industrialization at the expense of democracy: authoritarian management of the system was justified on the pretext of industrialization. A short period of import substitution strategy was replaced by an export-oriented one. Accelerated growth has been driven by export as an it "engine of growth". As shown in [Table 1] annual average growth rate which was 8.4 percent in the 1960s jumped to 9.3 percent in the 1980s. After the reorganization of the industrial structure, economic growth has been a bit stagnant but still sky-high compared to other countries. Despite high level of exports, there was negative balance of payment in the 1960s due mainly to the import content of export. The deficit was aggravated in the 1970s. But export boomed again thanks to the so-called 3-lows (low Japanese Yen, low oil price and low international interest rates), and huge balance of payment surplus was realized for the first time in the 1980s. Thank to the surplus balance of payment, jobs were created in a massive scale to bring down the unemployment rate to 2.5 percent of labor forces in the 1990s.

<sup>1</sup> O'Donnell analyzed the rise of Argentina's bureaucratic-authoritarian regime in the context of economic development. Whitehead found that new regimes either authoritarian or democratic perform better than old and stabilized regimes particularly in terms of controlling inflation. See Guillermo A. O'Donnell, *Modernization and Bureaucratic Authoritarianism : Studies in South American Politics* (Berkeley: Institute of International Studies, 1973; Laurence Whitehead, "Democratization and Disinflation: A Comparative Approach," in Joan M. Nelson, et al., *Fragile Coalitions: The Politics of Economic Adjustment* (Washington, D.C.: Overseas Development Council, 1989), pp. 79-93.

<sup>2</sup> Adam Przeworski, "Why Democracies Survive in Affluent Countries? Paper prepared for the Annual Meeting of the American Political Science Association, San Francisco, August 28 – September 1, 1996.

[Table 1] Aggregated Macroeconomic Indicators

year	economic growth	fixed investment	GDP deflater	export	import	balance of payment	employed labor forces	unemployment rate
	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
1950-59	3.7	10.6	23.1	2.7	14.4	0.3	-	-
1960-69	8.4	22.3	17.5	38.9	19.4	-15	3.5	5.8
1970-79	7.4	13.8	20.7	34.6	28.2	-116	3.6	4.1
1980-89	9.3	12.2	7.2	13.9	11.7	172	2.8	3.5
1990-94	7.0	7.2	6.7	10.4	10.4	-198	2.3	2.5
1950-94	7.5	14.3	15.7	20.5	17.5	-156	3.2	4.0

(A)~(E), (G): growth rate (%)

(F): US\$100million

[Source: Tong-Se Cha and Kwang Seok Kim, eds., *Korean Economy in the Last Half Century: Historic Evaluation and Vision for the 21 th Century* (Seoul: KDI, 1995); p. 139]

The rapid export growth altered the country's industrial structure as shown in [Table 2]. At the time of the first military coup in 1961, the country was an agrarian society with almost 40 percent of domestic production derived from agriculture, fishery and forestry sectors. More than 60 percent of employment was created by the same sectors. The situation remained about same in 1963, when the military junta transferred power to civilian politicians.<sup>3</sup> A massive drive for an industrialization has changed the country's economic structure from agrarian to industrial. Manufacturing sector began to produce more than one-fifths of the country's production in 1970, the figure reached to 30 percent in 1980. Since 1990 less than 10 percent of production has come from the agrarian sector, and slightly higher than 10 percent of the work force was engaged in the same sector. Korea has become an industrialized country at last.

[Table 2] Structure of Industry and Employment (%)

year	Industry Structure			Employment Structure		
	I	II	III	I	II	III
1961	38.7	15.4	45.9	-	-	-
1963	43.1	16.2	40.7	63.4	8.7	27.9
1970	26.7	22.3	51.0	50.4	14.3	35.3
1980	14.9	30.2	55.4	34.0	22.5	43.5
1990	8.7	29.7	61.6	18.3	27.3	54.4
1994	7.1	27.4	65.5	13.6	24.1	62.3

<sup>3</sup> The transfer of power to civilian politicians was no more than a ceremonial event because the mainstream of the so-called civilian politicians were the former junta who just retired from their military duty.

Each of I, II, III means agriculture and forestry sector, manufacturing and mining sector, and social indirect assets and service sector respectively.

[Source: Cha and Kim, eds., *Korean Economy in the Last Half Century*, p. 520]

The trend toward increasing importance of the industrial sector was more salient in foreign trade as shown in [Table 3]. The share of manufacturing sector goods in export which was less than 30 percent in 1962 jumped to almost 90 percent in less than a decade. Virtually all exported items are now manufacturing sector goods. Only 10 percent of the exported manufacturing sector goods were heavy and chemical industry items in 1962, the share surpassed 50 percent in 1982, and the figure reached to almost 70 percent in 1993. Ratio of export to GNP is approaching to 25 percent. In other words, Korean economy is now buttressed by export of heavy and chemical manufacturing sector goods.

[Table 3] Trend and Structure of Trade

	1962	1972	1977	1982	1987	1993
Total Export (US\$million)	55	1,624	10,047	21,853	47,281	82,236
Percentage of Export Items						
Agri. Forestry. Fishing	63.0	12.1	13.8	7.9	5.3	3.9
Manufacturing	27.0	87.9	86.2	92.1	94.7	96.1
Heavy/Chemical	10.4	25.3	39.4	52.8	58.1	68.8
Light	89.6	74.5	60.6	47.2	41.9	31.2
Ratio to GNP(%)	2.4	15.0	27.2	30.7	34.7	24.8

[Source: Cha and Kim, eds., *Korean Economy in the Last Half Century*, p. 357]

Thanks to the export-oriented industrialization, Korea's per capita GNP surpassed the empirical threshold of safe democracy, 6,055 US dollars in 1991. Korea obtained OECD membership in 1996, and is now classified as a high income industrialized country by the international financial institutions.

### 3. Social Background of Korean Politics

Given the Hobbesian view of world order, state intervention is a necessary condition for the orderly development of capitalist democracy. Whether capitalism is compatible with democracy is a fundamental question of political economy which has been raised for a long time. Popular masses expect that their views to be reflected in making public policy through a meaningful universal suffrage and this, in turn, alters decision-making process in their favor. The new process is expected to ultimately alter the mode of state intervention into the market which allocates resources reflecting unequally distributed productive endowments. On the other hand, capitalists expect to use their resources freely for influencing the political process and protecting

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their property rights. Given the conflict between freedom and equality, class struggle in the capitalist democracy is expected to be inevitable and, therefore, the capitalist democracy considered unstable. Democracy, however, is prospering in the developed capitalist societies.

Theories of state and class relations have tried to answer the long-lasting question. Both the Marxist theorists and neo-classical economists value the state function for the survival and development of capitalism. Marxist functionalist theorists argue that the state promotes reproduction of capitalism by intervention. Some theorists go further to argue that the state unavoidably serves the capitalist because it is structurally dependent on capitalists' control of investment which is the essence of reproduction of capitalism. Some argue that a "relatively autonomous" state should and could control the particularistic interests of individual capitalists for reproduction of capitalism.<sup>4</sup> However, all the Marxist arguments share in attacking the mode of state's intervention which is regarded as unilaterally advantageous to capitalists. On the other hand, neo-classical economists argue that proper intervention of the state is benevolent both to workers and capitalists and so to capitalism itself. They argue that the State organizes the country's economy to allocate resources for the best production and to fairly distribute for common interest of the community as a whole. Some of them attribute the miracle of the East Asian NICs to the role of a strong and smart state.<sup>5</sup> For social democrats, the economy and people's welfare can be controlled and improved respectively by state intervention. According to analytical Marxists, governments can escape the dilemma of the trade-off between distribution and growth by taxing uninvested profits and transferring this revenue to wage-earners<sup>6</sup>. The role of state is essential to the development of capitalism and, therefore, cannot be simply regarded as serving any particular class or group unilaterally.

The role of the state varies in accordance with its "capacity" and "autonomy". Therefore, the mode of state intervention is a function of state capacity and autonomy which, in turn, are the contingent outcomes of conflicts among state agencies about the objectives of state actions and, between state agencies and social groups whose interests are affected by the state actions.<sup>7</sup>

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<sup>4</sup> Nicos Poulantzas, *Political Power and Social Classes* (London: New Left Books, 1973), p.51.

<sup>5</sup> Larry E. Westphal, "Industrial Policy in an Export-Propelled Economy: Lessons from South Korea's Experience," *Journal of Economic Perspective* 4 (1990).

<sup>6</sup> Governments can achieve distribution and growth simultaneously when two conditions are met: 1) the government can tax the uninvested profits and transfer this revenue to wage-earners, and 2) "a powerful union willing to trade private wages for transfers and government services." Adam Przeworski and Michael Wallerstein, "Structural Dependence off the State on Capital," *American Political Science Review* 82; Adam Przeworski, *The State and Economy under Capitalism* (London: Harwood Academic Publishers, 1990).

<sup>7</sup> Przeworski, *The State and Economy under Capitalism*, pp. 50-51.

Theorists like Rein regard the state autonomy as an outcome of balanced class relations.<sup>8</sup> The capitalist state is more or less dependent upon the capitalist investment, but the state can be autonomous from the capitalist in accordance with the degree of permeation of the prevalent class into the government and with class relations between the capitalist and the labor.

State autonomy and capacity in Korea after independence was characterized by the recruitment style of elites. Elites were recruited to the executive branch, so the country's politics was handled rather in executive branch than in Congress. The division of the country, the Korean War and the ensuing rise of the military, which generally prefer efficiency to deliberation and legitimization, produced a strong state. The authoritarianism of Park Chung Hee further strengthened the already-strong state. The state moreover created and nurtured the capitalists throughout industrialization phase, and up until the democratization the state could control individual capitalists and capitalists as a group through various modes of incentives and punishments.

The capitalists have worried about expropriation of their wealth by the labor on the one hand, and tried to be independent from the control of the state which is no more omnipotent in a pluralist society on the other. They tried to overcome this problem by establishing ties with the government. When the old ruling bloc won the presidency in the 1987 election, the capitalists mobilized all the organizational and personal networks in order to influence the government. The capitalist interests are usually channeled through, in addition to their official interest organization Federation of Korean Industries (FKI), personal ties including marriage, school and regional affiliations. Individuals in big business conglomerates have three types of personal ties: 1) unofficial tie between alumni of three major universities working for businesses and in the government, 2) "invited" managers of business from the ranks of retired high-ranking politicians, bureaucrats and generals, and 3) marriage.<sup>9</sup>

An absolute majority of high-ranking, business managers (67.3 percent) and high-ranking government officials (73.9 percent) are graduates of the three major universities- -Seoul National, Yonsei and Korea-- in 1989 and 1990 respectively. As of 1989, about 43.7 percent of executive directors or higher managers of FKI (Federation of Korean Industries) member firms are "invited" from those who have previously occupied influential positions in the government, military and financial institutions.<sup>10</sup> They exchange needed information for favors and vice versa. The invited managers are the most effective lobbyists for the firms. In a kinship society like Korea in which

<sup>8</sup> G.A. Rein, *Bonapartismus und Faschismus in der deutschen Geschichte* (Goettingen: Musterschmidt-Verlag, 1960), p.1 Quoted in Przeworski, *The State and Economy under Capitalism*, pp. 42-43.

<sup>9</sup> Kie-Duck Park, "Fading Reformism in New Democracies: A Comparative Study of Regime Consolidation in Korea and the Philippines," unpublished Ph.D. diss., University of Chicago, 1993: 137-138.

<sup>10</sup> Chol Kyu Kang, Chong Pyo Choi and Chi Sang Chang, *Chaebol: the Leading Actor of Economic Growth, or the Incarnate of Greed* (Seoul: Pibong, 1991), pp. 76-77 (in Korean).

blood ties are highly valued, marriage pattern among political and economic elite families has important political implications. *Chaebols*, big business conglomerates, exercise political influence via marriage among themselves and with political families. *Chaebols* are connected to other *chaebols* by marriage among their founders and/or among children of the founders: 27 out of the biggest 30 *chaebols* are ultimately connected with others by several rounds of marriages.<sup>11</sup> About one-third of father-in-laws of *chaebol* owners' children are high-ranking officials in the three government branches. The political-business nexus affect the Korean political economy through two dyadic cleavages: inter-class cleavage on the one hand and intra-class cleavage on the other. The cleavages limit the possibility of transfer of power to opposition parties. The trend has been accentuated even under the Kim Young Sam government.

After the democratic transition, the classes were relatively balanced due to the mobilization by the popular sector. The government took advantage of the balanced class relationship to recover its autonomy through strategic management of the classes: establishing tight control over both classes while providing relatively minor concessions to each of them under the name of economic democracy. Freedom of organization and economic liberalization are the concessions made to the labor and the business respectively. Rates of unionized labor has been fluctuating as shown in column C of [Table 4]: low 20s percent until 1980 (the year Chun Doo Whan tightened dictatorial control of the country), downed to 15.5 percent in 1986, resumed its increasing rate with 17.3 percent in 1987 (the year of democratic transition), reached to its peak of 23.4 percent since the fall of Park Chung Hee regime in 1989 (the year of three parties' merger and initiation of labor repression), and sliding down to 17.2 percent in 1993 (the year of Kim Young Sam government's inauguration). Despite the increasing unionization rate in the late 1980s, contractive economic situation deprived the labor of opportunity for taking advantage of their enhanced organizational strength in the 1990s. Rate of unionization was declining and the union could not launch strikes effectively. The labor was not organized under single leadership. The legalized union (Federation of Korean Trade Unions or FKTU) and extra-legal union (Korea Council Trade Unions or KCTU, or so-called "democracy union") have been competing for leadership of the labor sector. The structurally forced labor quiescence has contributed to political stability until the passage of labor laws' happening in the late 1996 and early 1997 by the Kim government.

The state was forced by the contractive economy to promote the collective capitalist interest (reproduction of capitalism) through legislation of new labor laws. Government's favorable policies toward the capitalist as a collective entity does not necessarily guarantee that the government will do the same thing for the individual capitalists. Some *chaebols* like Hyundai who had confronted the ruling party during the 1992 presidential election were subject to retaliatory policies such as tax inspection and restriction of borrowing from the government-controlled banks. Some *chaebols* like Hanbo which donated heavily to the ruling party became recipients of huge

<sup>11</sup> Park, "Fading Reformism in New Democracies," p. 137.

political favors. This relationship is indicative of the deep seated corruptive nexus between the government and the business.

**[Table 4] Social Indicators and Government Expenditure**

year	A	B	C	D	E	F	G	H	I	J
1963			20.3				8.9	-17.6		
1964							7.3	3.2		
1965	0.344		22.4		41.3	81.7	8.6	24.4		
1966					39.2	78.7	10.8	50.7		
1967					39.8	87.7	12.3	28.4		
1968					42.7	90.7	13.9	44.8		
1969					47.9	94.6	14.6	41.3		
1970	0.332	4.9	20.0		54.5	89.5	14.3	19.3	18.5	-1.0
1971		4.9	19.7		54.3	81.3	14.5	23.6	18.8	-1.6
1972		5.0	20.4		54.4	77.3	12.5	28.4	20.2	-3.8
1973		5.9	20.4		54.2	83.4	12.2	-6.5	15.7	-1.6
1974		5.1	22.1		57.2	88.1	13.5	54.7	18.7	-4.0
1975		4.8	23.0	133	59.2	87.8	15.4	51.4	21.3	-4.6
1976	0.391	4.3	23.3	110	66.5	100.7	16.6	39.5	20.9	-2.9
1977		4.4	24.3	96	76.5	110.9	16.6	27.9	20.6	-2.7
1978		4.3	24.0	102	85.7	115.1	17.1	29.2	20.8	-2.6
1979		4.7	23.6	105	93.0	118.1	17.4	42.8	20.1	-1.4
1980	0.389	5.7	20.1	407	94.2	110.5	17.9	28.4	22.9	-3.2
1981		4.9	19.6	186	91.1	94.7	18.0	21.9	24.9	-4.6
1982		8.5	19.1	88	96.5	100.6	18.6	16.1	23.4	-4.2
1983		4.7	18.1	98	95.1	102.0	19.0	10.9	20.2	-1.5
1984		5.0	16.8	113	93.8	94.5	18.1	8.8	19.7	-1.3
1985	0.345	5.2	15.7	259	100	100	17.5	12.1	19.2	-0.9
1986		6.1	15.5	289	97.8	97.2	17.0	11.2	17.1	-0.1
1987		6.2	17.3	3749	96.9	101.6	17.3	14.5	17.0	0.2
1988	0.336	7.2	22.0	1878	96.6	105.4	17.6	14.1	16.3	1.3
1989		8.0	23.4	1616	108.3	125.1	18.0	20.1	17.7	-0.0
1990	0.323	8.1	21.7	322	111.9	126.9	18.9	26.7	19.1	-0.9
1991		8.5	19.7	234	114.3	126.5	17.9	14.0	19.4	-1.9
1992		9.3	18.4	235	121.4	126.7	18.7	6.6	19.0	-0.7
1993		9.3	17.2	144	125.9	123.0	19.1	11.7	19.1	0.3
1994				121			19.4	16.1	19.8	0.5

A: Gini index

B: expenditure for social security and welfare/total expenditure (%)

C: rate of labor organization (organized labor/total labor: %)

D: number of labor disputes

E: real income/productivity in all industrial sectors (1985=100)

F: real income/productivity in manufacturing sector (1985=100)

G: total tax/GNP (%)

H: increase rate of government expenditure (%)

I : public finance/GNP (%)

J: government budget surplus/GNP (%)

[Source: Cha and Kim, eds., *Korean Economy in the Last Half Century*, pp. 98, 176, 178, 540, 541, 589, 610]

The stagnant economy forced the government to help the business sector through the passage of new labor laws ratified without notifying the opposition parties under the pretext of "rationalization" of business environment. Government's attempt to reform the labor laws in favor of the business, however, was frustrated by the fierce defiance of the labor sector in particular and of the people in general in the late 1996 and the early 1997. A new version of labor laws with minor revisions from the original one passed the National Assembly by a non-partisan consent. The irony is that the heroic struggle of the so-called "democracy union" (Korea Council of Trade Unions) resulted in a crisis for labor paralysis of the government.<sup>12</sup> The labor lost some of the previously guaranteed rights without any realistic rewards. The government lost its credibility and governability due to the nation-wide protests and its withdrawal of the original legislation. Only the business got what they wanted through the legislation which enables the management to layoff worker in accordance with changes in the corporate structure and to flexibly reassign workers as part-time employees.

Despite the government policies favoring business, rapid economic growth and massive creation of new jobs have resulted in continuous wage increase as shown in [Table 4]. Summary of labor indicators in [Table 5]demonstrates that jobs were created in abundance in the early stage of industrialization. Growth rate of employment slowed down remarkably in period II (period of industrial deepening) and III (period of democracy), however, it was enough to provide jobs to the workers who newly entered into the labor market. Real income growth rate, almost always surpasses the labor productivity. The corollary is improvement of people's well-being with slowly decreasing inequality.

<sup>12</sup> Democratic labor is not legalized by the government and more radical than the legalized labor, the Federation of Korean Trade Union.

[Table 5] Labor-Related Indicators in Manufacturing Sectors (%)

period	nominal income	real income	labor productivity	growth rate of employment
I (1963-74) democratic	23.23	7.17	6.86	11.52
II (1975-86) authoritarian	20.86	8.14	6.11	3.46
III (1987-94) democratic	16.30	9.34	8.89	2.73

[Source: Cha and Kim, eds., *Korean Economy in the Last Half Century*, p. 542]

Domestic market has improved to be more competitive in both terms of item number and total sales as shown in [Table 6]. The share of the 30 biggest business conglomerates in total sales, fixed assets, value added and employment has been slightly decreasing despite some fluctuation with an early stage increase.

[Table 6] Competitive Market Structure (%)

	A	B	C	D	E	F	G	H
1977					32.0	29.1		20.5
1978					34.1			
1979					35.2			
1980					36.0			
1981	87.8	73.9	12.2	26.1	39.7	30.8	36.7	19.8
1982	88.0	74.8	12.0	25.2	40.7	33.2	37.2	18.6
1983	86.3	74.8	13.7	25.2	39.9	31.6	37.1	17.9
1984	86.9	73.9	13.1	26.1	40.3	33.5	40.3	18.1
1985	85.1	69.9	14.9	30.1	40.2	33.1	39.6	17.6
1986	83.9	68.1	16.1	31.9	37.7	32.4	39.1	17.2
1987	83.5	64.8	16.5	35.2	36.8	31.9	37.9	17.6
1988	82.5	65.1	17.5	34.9	35.7	30.4	37.3	16.9
1989	80.6	62.7	19.4	37.3	35.2	29.6	35.3	16.6
1990	80.9	63.7	19.1	36.3	35.0	30.0	32.2	16.0

A: monopoly or oligopoly market ( $CR3 \geq 50\%$ ): number of items

B: monopoly or oligopoly market ( $CR3 \geq 50\%$ ): total sales

C: competitive market ( $CR3 < 50\%$ ): number of items

D: competitive market ( $CR3 < 50\%$ ): total sales

E: share of total sales by the 30 biggest business conglomerates

F: share of value added by the 30 biggest business conglomerates

G: share of fixed assets by the 30 biggest business conglomerates

I: share of employment by the 30 biggest business conglomerates

[Source: Cha and Kim, eds., *Korean Economy in the Last Half Century*, pp. 397 and 415]

Korea has virtually eliminated absolute poverty and has comparatively equal income distribution. The deep-rooted egalitarianism of Koreans has limited government's policy orientation not to enlarge income disparity. Factors like experience of equal poverty inflicted by destruction of the Korean War on the one hand and current unequal distribution of assets on the other have contributed to Koreans' impatience with inequality. Percentage of poor family under the absolute poverty line has decreased rapidly from more than 30 percent in 1976-78 to about 4 percent in the early 1990s.<sup>13</sup> Gini index of income of 0.336 in 1988 shown in [Table 4] is not comparable to those financial assets and real assets, 0.770 and 0.596 in respective.<sup>14</sup> When considering other countries' situation, Korea's assets' distribution is not bad. The egalitarian socio-political culture, therefore, is the main source of dissatisfaction with distribution of wealth in Korea.

Unearned income from financial and real estate transactions under pseudonyms or third persons' name are the most controversial in the context of economic justice. Each of the three governments since 1982 made use of the political effectiveness of "economic reform" regardless of its content to demonstrate their resolution to promote economic justice in the early periods of their incumbency. Only the Kim Young Sam government successfully institutionalized the "real name systems" of financial and real estate transactions through decrees. However, embedded loopholes, government's passivity in taxing all such transactions, and corruptive behavior of business and bureaucrats have made the systems minimally effective. Elimination of the loopholes is the most critical issue of economic justice.

According to a government evaluation, during the 1974-87 period, investment in land generated as much as 6 times the gains from industrial investment.<sup>15</sup> As a result, capitalists diverted massive amounts of investment capital borrowed from financial institutions at preferential rate to engage in land speculation. The government collects only a small fraction of the astronomical amount of the unearned income generated from land speculation. It levied taxes only on 32.1

<sup>13</sup> Percentages of poor families under the absolute poverty line are following: above 30% in 1976-78, below 25% in 1979, 20% or more until 1985, below 20% but above 10% in 1986-89, 7.07% in 1990, 3.885% in 1991 and 4.612% in 1992. See Seok Bum Yoon, *Korean Economy and Poverty* (Seoul: KDI, 1995), p. 65 (in Korean).

<sup>14</sup> Distribution of landed property is particularly sensitive. As of 1993, upper 5% population have more than 50.6% of total private land in Korea. See Tong Se Cha and Kwang Seok Kim, eds., *Korean Economy in the Last Half Century*, pp. 614-623.

<sup>15</sup> Sang Hwan Chang, "Suspicious Willingness of DLP's Economic Reform," *Wolgan Jungang (Jungang Monthly)* 16-4 (in Korean).

percent of the income with 0.3 percent rate as of 1985. The taxation is surprisingly minimal considering that as much as 75 percent of the labor incomes are subject to taxes, and the neighboring countries apply higher basic tax rates--1.5 to 3.0 percent in Taiwan and 1.4 percent in Japan.<sup>16</sup> Furthermore, Korea burdens consumers and wage earners with unproportionately high share of national taxes via sale tax, value-added tax and income tax. People's tax burden has approached 20 percent of GNP until 1993 as shown in [Table 4] and reached 20.9 percent in 1996. According to government statistics, indirect taxes constituted 59.8 percent of the total 1987 tax revenue, while direct taxes such as income, inheritance and gift constituted only 18.58 percent of the same tax revenue. Taxation is not an effective measure for redistribution in Korea.

As a result, the share of net income consumed by owners of productive wealth in Korea, 51 percent in 1985, is comparably higher than that of Austria (20 percent), Norway (20 percent) and the United States (40 percent).<sup>17</sup> But it is far lower than that of Latin American countries (Brazil's 62 percent and Argentina's 69 percent) and the Philippines (63 percent). The number remained about same after the democratic transition of 1987, 53 percent of 1986, 52 percent of 1987, 50 percent of 1988 and 47 percent of 1989. What needs to be emphasized is that there is still a wide room for taxing the capitalists in Korea.

#### 4. Institutional Conditions of Democracy

Political institutionalization of a country can be analyzed on two levels: 1) mode of organization--unitary system or federal system, 2) power structure in the context of governing style--majoritarian-oriented system or consensus-oriented system. The latter can be broken down into 4 issue areas: 1) government system- -parliamentary, presidential or other systems, 2) electoral system--plurality or proportional representation systems, 3) party system--competitive or one-party dominant systems on the one hand and two party or multi-party systems on the other, and 4) system of interest mediation--pluralism or corporatism.

<sup>16</sup> Soonwon Kwon, "Korea: Income and Wealth Distribution and Government Initiatives to Reduce Disparities," *KDI Working Paper No. 9008*, pp. 25-26.

<sup>17</sup> The numbers are calculated based on labor share and investment rate [(1-labor share) X (1-investment rate)]. However, these numbers do not show the exact share of net income consumed by capitalists because they are based on labor share in manufacturing and investment in the entire economy only. Data were drawn from several issues of the publication of the World Bank, *World Development Report*.

### **(A) Mode of State Organization and Government Structure**

Korea has had a unitary system. Ethnic, racial, linguistic and cultural homogeneity have been congruent with the unitary system. Local autonomy was suppressed for the sake of promotion in national security and economic development during the authoritarian era, 1961-1987 and even up until 1990. Only in 1995, have local governments and legislative branches organized in accordance with the results of popular vote. Local governments still cannot enjoy their autonomy due to intervention by the central government through its control of personnel and financial affairs.

The bitter experience of failure of the 2nd Republic, institutionalized along the principle of parliamentary system, has had a deep negative impact upon the Koreans' view of the parliamentary system. The fact that the two former presidents, who suffered from a legitimacy problem, have tried to find their after-retirement safety in the system has worsened the negative impact. Koreans have preferred the presidential system to the parliamentary one mainly due to these experiences. However, negative aspects of the current politics such as power abuse, corruption, and policy failure due to leadership concentrated upon one man appearing under the presidential system have changed Koreans' preference on power structure from the presidential system to the parliamentary one quite rapidly. Some polls argue that the previous preference for the presidential system to the parliamentary one has been reversed.

The president has controlled the National Assembly through his leadership over the ruling party which have been able to usually secure a majority up until the 1981 congressional election in the congress as shown in [Table 7]. The president, as a leader of the ruling party, have had authority to nominate the party's candidates running for congressional elections, and to choose the National Assembly chairman, as well as patronage to be provided to congressmen for their constituent works. Given these conditions, the presidents have been expected to be able to do anything.

### **(B) Electoral System and Congressional Elections**

In institutionalizing electoral system, two issues appear the most important: 1) what kind of party system is to be formed, and 2) how social groups would be represented to the congress. The ruling party intended to form various types of party system whichever was advantageous to itself on the basis of the pluralist electoral system principle. The government party failed to win majority votes in general elections with only one exception in 1967 as shown in [Table 7]. Various measures in regard to district size and electoral formulae, therefore, have been mobilized in order to transform the minority votes to a congressional majority.

The plurality electoral system favors the ruling party and its main opposition as well. The two biggest parties together won less than half of the votes cast only in two elections of 1954 and 1960 on the one hand and won more than 70 percent of votes in 4 elections of 1958, 1967, 1971

and 1973 on the other thanks mainly to the electoral system. It means that 'electoral party system' has changed from a multi-party system in the early years, through a two-party system in the Park Chung Hee period, and to a moderate multi-party system with 3 or 4 parties in recent years.

[Table 7] Congressional Elections in Korea

election year	length of term	size of district	rate of turnout	percentage of votes (seats) won by party			
				1st party votes	1st party seats	2nd party votes	2nd party seats
				Others votes	Others seats		
1948*	2 years	1 seats	95.5				
1950*	4	1	91.9				
1954	4	1	91.1	36.8%	56.2%	7.9%	7.4%
1958	2	1	90.7	42.1	54.1	34.0	33.9
1960	1	1	84.3	41.7	75.1	6.0	1.7
1963	4	1	72.1	33.5	62.9	20.1	23.4
1967	4	1	76.1	50.6	73.7	32.7	25.7
1971	2	1	73.2	48.8	55.4	44.4	43.6
1973	6	2	73.0	38.7	66.7	32.5	23.7
1978	3	2	77.1	31.7	62.8	32.8	26.4
1981	4	2	78.4	35.6	54.7	21.6	29.3
1985	3	2	84.6	35.3	53.6	29.3	24.3
1988	4	1	75.8	34.0	41.8	19.3	23.4
1992	4	1	71.9	38.5	49.8	29.2	32.4
1996	4	1	63.9	34.5	46.5	25.3	26.4
						40.2	27.1

\*The Congressional elections were held with little development of political parties.

[Source: Myong Soon Shin, "Election in Korean Politics," in U-Jin Lee and Sung-Joo Kim, eds., *Contemporary Korean Politics* (Seoul: Nanam, 1996), p. 200; Chosun Daily News, *Data on the 14th Congressional Election* (Seoul: Chosun Day News, 1992), pp. 16-30; The Sejong Institute, ed., *An Analysis of the 15th Congressional Election* (Sungnam: Sejong Institute, 1996), p. 64]

With the growing number of politically significant parties, the ruling party became more concerned with securing a majority in the National Assembly. The most effective measure was the 'national district.' The national district system has been adopted since the 1963 election with highly skewed formulae favoring the government party which usually won the simple majority votes. Size of the national districts has varied randomly. Either an arbitrary number of seats or such proportion as one half or one-third of total seats from the local districts were elected from the national district. People do not vote specially for the district, instead votes cast for candidates running in the local

districts are counted. Two-thirds or one half of the total seats elected for the national district have been allocated to the ruling party, and the remaining seats to other parties. Only recently became the seats of the national district distributed to parties by their share of the total votes. Given the share of votes won by the ruling party, its share of seats won from the national districts is too much skewed for the party.<sup>18</sup>

The two-member-district system was adopted in 4 elections for two purposes the ruling party: 1) to secure representation from the capital city which is politically symbolic, and 2) to win at least one seat in each of all the local districts by dividing the opposition parties.<sup>19</sup> Given the organizational and financial endowment, the ruling party could win most or at least second most votes in each district. Due to the combination of the two systems, i.e. the national district and the two-member local districts, the government party won the majority of congressional seats with less than the majority vote. Disparity of each district's population size was another factor favoring the ruling party regardless of its size which means the number of representative(s). That is because the ruling party was doing far better in rural districts which have smaller population than the urban ones.<sup>20</sup>

Only once in 1967, has the government party won the majority of votes cast, Until 1985 election, the government party has won the majority (average of 61.5 percent) of congressional seats with less than 40 percent of votes in 10 elections. The height of disparity was reached in the 1978 election when the ruling party won almost two-thirds (62.8 percent) of congressional seats with popular votes less than that of the opposition by 1.1 percent (31.7 percent vs.32.8 percent). The the second biggest party has won the proper share of seats while the government party has benefited by winning extra seats exceeding its proper share due to the electoral system bias. What needs to be emphasized is that the deep-rooted regionalist voting behavior has diluted the electoral system's effects. The ruling party has failed to secure the congressional majority since the 1988 election. This might open the window of opportunity for the consensus-oriented political behavior

<sup>18</sup> The share of seats distributed to the ruling party which has been derived from the popular vote are as following: 50% of seats from 33.5% of votes in 1963, 61.4% from 50.6% in 1967, 52.9% from 48.8% in 1971, 100% from 38.7% and 31.7% in 1973 and 1978 respectively, 66.3% from 35.6% and 35.3% in 1981 and 1985 respectively, 50.7% from 34.0% in 1988, 53.2% from 38.5% in 1992, and 39.1% from 34.5% in 1996. See, Muong Soon Shin, "Election in Korean Politics," in U-Jin Lee and Sung-Boo Kim, eds., *Contemporary Korean Politics* (Seoul: Napalm, 1996), p. 200; Chosen Daily News, *Data on the 14th Congressional Election* (Seoul: Chosen Daily News, 1992), pp. 16-30; The Sejong Institute, ed., *An Analysis of the 15th Congressional Election* (Sungnam: Sejong Institute, 1996), p. 64.

<sup>19</sup> The government party had hardly won any seats in the capital city until the 1971 election, and it, in turn, caused legitimacy problem on the party.

<sup>20</sup> Regionalist voting behavior has diluted the effect of urban-rural disparity since the 1988 election.

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despite the worry about declination of the politics of responsibility under the majoritarian-oriented political system.

### **(C) Party System**

Thanks to the electoral system, Korea has maintained a *de facto* two-party 'congressional party system' despite the multi-party 'electoral party system' in appearance. Even when third parties emerge to exercise a casting vote in the rivalry of the ruling party with its main opposition, the government party has recovered the majority by merging with other parties or by inviting independents. This is possible because ideology and policy orientation are secondary to winning office and power. Korean parties are "office-seekers" than "policy- seekers."

### **(D) Interest Mediation**

Interest conflicts have been mediated through the government-sponsored interest organizations of various sectors including big business, small and medium size business, and labor. FKTU (Federation of Korean Trade Unions) and KCCI (Korea Chamber of Commerce and Industry) are the interest associations representing labor and business respectively. FKI (Federation of Korean Industries) consists of big businesses and practically represents interests of capitalists. KFSB (Korean Federation of Small Businesses) is an organization for the small to medium sized businesses whose interests are not necessarily congruent with those of big business. An alternative labor organization, the "Democracy Union," is to be legalized by the new labor laws. Its policy orientation and mode of mobilization are more progressive than that of the FKTU. It is expected that labor activism will be radicalized along with greater competition between the two unions at least temporarily. However, as theorists of labor politics argue, the radicalization effects of labor activism through the replacement of monolithic representation by a competitive dual representation system would possibly weaken the labor power ultimately, and further lessen the already weak consensus- oriented character of Korean politics.

## **5. Conclusion**

Is Korea a democratic country? This is a most fundamental and challenging question. Since concerned scholars, journalists and ordinary people have their own views of democracy, the answers to the question will vary. Structuralists who value such qualitative aspects as social justice of democracy answer negatively to the question while the functionalists who are more interested in the procedural aspects answer positively or, at least, less negatively.

Let us take two countries, Singapore and India. Even the former prime minister of Singapore argued in defense of the country's non-democratic character as inevitable, while India is

said to be the "world's largest" democracy. Even if the arguments are true, nobody can effectively argue that India is better than Singapore in any practical sense. Rather, Singapore is socio-economically better off than India. Regardless, some of the initial conditions such as geographic location, human capital formation, and level of development might exert influence on the development a country. We can infer, therefore, that some qualitative aspects of any society are not necessarily the function of regime, and so the qualitative aspects cannot be attributed to regime type in general, or to the degree of democratic character of any 'democratic' regime in particular.

According to Przeworski, democracy is an institution which would "1) be accepted by the relevant political forces, 2) allow some free interplay, a limited but open-ended competition among interests, and 3) evoke spontaneous compliance, that is, absorb the relevant political forces as participants willing to subject their interest to uncertain competition and to accept the outcomes."<sup>21</sup> If this kind of institution exists in a society, according to him, the society can be regarded as democratic regardless of the qualitative results of the institution's operation. For no institution can ultimately guarantee a certain outcome. In Korean politics, nothing is pre-determined *ex ante*, and outcomes of political competition cannot be changed *ex post*. We can predict winners of elections only with some probability but not with certainty. With this uncertainty, we can classify Korean politics as democratic.

Is there a Korean model of democracy in terms of its historical development and prospects? The of Korean political regime has oscillated between democracy and authoritarianism. The regime pendulum has now swung to the democratic side. If democracy is conditioned by a particular economic situation, the current Korean democracy can be regarded as well conditioned. The "Korean miracle" has been initiated and completed by the authoritarian regime seeking to justify its non-democratic character. As one Korean scholar has argued, authoritarian regime lost its *raison d'e^tre*. The business sector did not appreciate government intervention any more. High income with comparatively equal distribution do not cause people to accept an authoritarian regime, either military one or civilian one, any more.

The democratization of 1987 is on the example of a typical "negotiated democratization." Socio-economic conservatism which has been expected since the regime change do not instigate radicalism.<sup>22</sup> Student activism has faded while labor movement have been rationalized. Korean politics is characterized as a "majoritarian-oriented system" with presidential government system, plurality electoral system, two-party system, and pluralist, interest mediation system. The newly

<sup>21</sup> Adam Przeworski, "How Do Transition to Democracy Get Stuck and Where?" manuscript, 1988.

<sup>22</sup> O'Donnell and Schmitter argue that conservatism is a natural outcome of the negotiated democratization. That is because a civilian government of the negotiated democracy cannot dare to challenge the guarantees which were already offered to the sectors with vested interests. See Guillermo O'Donnell and Philippe C. Schmitter, *Transitions from Authoritarian Rule: Tentative Conclusions about Uncertain Democracies* (Baltimore: Johns Hopkins University Press, 1986), p. 12.

democratized regime has survived the initial consolidation phase. Koreans are ready to choose the third government in December of 1997 since the democratization. If the argument of Gunther and Mughan is true,<sup>23</sup> the majoritarian-oriented institutions would work even better for the welfare of the Korean people who are in the late consolidation period of their democracy.

I do not know whether Korean democracy constitutes a model. What can be argued, however, is that the background, timing and mode of democratic transition in Korea are unique. It is expected that the system will not easily collapse. No one knows who is going to be nominated as a presidential candidate representing the ruling party. However, everyone knows that transition of power to the opposition party is hardly possible without any dramatic changes in political constellation of the country. A new version of "uncommon democracy" has been in the developing in the country.<sup>24</sup> But the uncommon democracy seems to transform into another type of democracy with the ruling party which cannot win a majority in the National Assembly.

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<sup>23</sup> Gunther and Mughan argue that consensus-oriented system is advisable for the consolidation of a new regime while majoritarian -oriented system is desirable for a new regime after its consolidation. See Richard Gunther and Anthony Mughan, "Political Institutions and Cleavage Management," in R. Kent Weaver and Bert A. Rockman, eds., *Do Institutions Matter?: Government Capabilities in the United States and Abroad* (Washington, D.C.: Brookings Institution, 1992), p. 299.

<sup>24</sup> According to Pempel, Sweden, Israel, Austria, Japan, Italy and others are or were countries of "uncommon democracies" in which one party has been dominant. See T.J. Pempel *Uncommon Democracies: The One-Party Dominant Regimes* (Ithaca: Cornell University Press, 1990).



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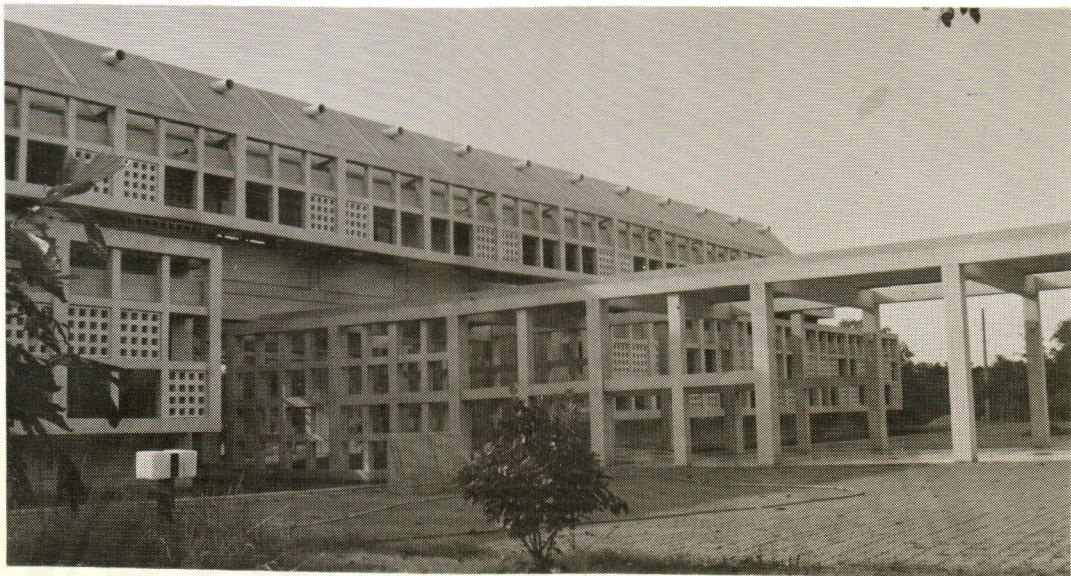
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