

The Evolution of the 'Growth First Belief' and the Unequal Society: In Search of Conversions in the Role of Public Administration(PA)¹

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Abstract

It is controversial to say just what kind of role the government bureaucracy actually had in the social conversions of the Korean society. By emphasizing the 'Growth First Belief' over everything else, the quality of life and happiness of the people have always taken a backseat. In the process of rapid industrialization the unattractive mingling of special privileges and rights with the blind worshipping and idolization towards power and riches which happened has led to the creation of new terms such as 'pariah capitalism' and 'bureaucratic mafia(bureaufia)'. Concentrating the state resources and consequent choices made by the developmental state have also led to the worsening of the inequality and concentration of wealth as a result. South Korea's authoritative bureaucracy is a centralized body of the state and can be seen as the party responsible for providing the seed of the present inequality of the Korean society. This paper will look at the evolution and the effects on how 'the growth first' public policy had on the inequality that exists within the Korean society and contemplate upon the measures that can alleviate these problems. The paper also attempts to offer several suggestions that will lead to a fairer and more equal society. First, there should be a conversion of the goal in public administration for the better quality of life which is not of a quantitative nature of the growth. Second, there should be an execution of 'proper' regulations that are deemed most necessary in the most effective positions which will heal the side effects of the growth. Finally, there should be a drastic embracement and investment on the part of the social welfare administration to respond to the inevitable low birth rate and aging society.

Key words :

growth first belief, developmental state, inequality, bureaucracy

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I. Introduction

There have been some controversies about the role of public administration (PA) and bureaucrats in the process of industrialization since the 3rd Republic in Korea. The positive aspect to that is that the emphasis on the 'growth first belief' has contributed to rapid economic development under the logic of the developmental state theory. However, the negative side of it has been said that due to the over emphasis of the role of PA, the role of politics and civil society has dwindled in consequence. Basically, it has been contended that in the process of industrialization, PA and the bureaucrats have designed the Korean market economy under the frame of developmental administration and have proceeded to carry out the following. First, it implemented a series of 5 year economic development plan. Then, they went on the 'choice and concentration' strategy in utilizing state resources. This in turn led to the emergence of the 'chaebol' and a growth strategy based on this puissant mega foundation. What has emerged is a distribution problem.

Given the above the facts, it is evident to see that the Korean public bureaucracy has had a long history of authoritative decision making process putting the government over the people. Under this 'strong state', the Korean public bureaucracy had a certain amount of autonomy. That is, the government bureaucrats experienced a developmental state to a neoliberalism state. This has in fact been termed a 'back-scratching' alliance of government and business. It is because of this aspect that there has been an urgent call for a political control of the government's bureaucracy.

Such being the case, this paper aims to take an in-depth investigation into mainly three things. Firstly, the evolution and status of the unequal society. Secondly, the unequal society and the responsibility of PA. In this aspect, it will especially concentrate on the developmental state and the beginning of a 'growth first belief' system, the economic crisis, neoliberalism and PA, the rent seeking society and 'bureaufia'(bureaucrats+mafia) as well as what kind of problems will continue such as the socioeconomic polarization(class distribution) and the aging society. Finally, it will look at the responsibility of PA for a more equal society in terms of transition of the administrative goal from deregulation to a 'proper' regulation along with consideration in welfare administration.

II. Evolution of the Unequal Society: The Status

The government has led the growth strategy which has brought about unprecedented rapid economic

development, but this is also blamed as a cause of many social problems especially in regards to social inequality. Despite its current situation, both the government and the people seem to have absolute blind faith in pursuing the 'growth first belief' ideology.

1. Portrayal of the Unequal Society

It is hard to ignore that the Korean economy has indeed grown in leaps and bounds as evidenced by the following facts. The nominal GDP was ranked 15th in the world(IMF, 2013). It recorded \$1.3 billion in 1953 but the numbers have drastically risen to \$1 trillion and 304.3 billion in 2013. This makes the average growth rate to be 7.4% per year which is 70 times larger in terms of the size of the economy. The per capita GDP was ranked 32nd(\$24,328) in the world by IMF in 2013. Despite these impressive numbers, the income distribution is far from even. According to an analysis(Kim Nak Yeon, 2014), average personal income was ₩20,460,000 but 48.4% of the population recorded less than ₩10,000,000(less than \$10,000) in income. The Gini coefficient based on the disposable income was 0.348 in 2013, which is the 6th highest among the OECD countries. This definitely indicates a drastic income divide between the super rich and the poor. Another survey carried out by the leading newspaper(Hankyoreh, 2015.1.7.) indicates that the two biggest problems in Korea are the widening of the rich-poor gap(65.8%) and the unemployment and job security (35.5%). These numbers further indicate that the income distribution is far from being fair. It is interesting at this point to note that a comparative survey conducted by the Asan Policy Institute found out that 73.8% of Korean respondents feel 'Korea is not a fair society' while 62.3% of American respondents commented that 'US is a fair country' in the category of 'the recognition of social justice between Koreans and Americans'(Hankyoreh, 2012.6.1).

An OECD report(2013) titled 'How's Life?' found out that an average Korean's life satisfaction rate is 6.0/10 which is less than the OECD average of 6.62/10. Most Koreans' sense of social support was indicated to be 77% positive and the third lowest among OECD countries. Korea recorded the longest annual working hours among OECD countries in 2010 with 2193 hours+ compared to 1749 hours which was the OECD average. The short and divided vacations in Korea was on average 11 days with the shortest sleeping hours of 7 hours 49 minutes (France recorded the longest with 8 hours and 50 minutes) as well. Korea unfortunately had the highest suicide rate in 2010 with an average of 42.6 people committing suicide per day, 31.2 person per 100,000 which was also

the highest among the OECD countries. There was the highest percentage of suicide for the elderly with 81.9 people per 100,000 (14.5 for the US, and 17.9 for Japan) and the first cause of death for teenagers (13%, or 13 out of 100,000 people). It begs the question why are there so many suicides? What drives these people to take the extreme measure? It can be attributed to various reasons such as poverty, isolation for the elderly, extreme competition (exam hell), and the collapse of the family structure for teenagers.

2. The Unequal Society and Implications for Public Administration

The origin of the unequal society lies in the unique characteristics of the developmental state (Yang Jae Jin, 2009; 65–67). Firstly, the state autonomy had a dominant position of PA with the president at the top over other institutions. Secondly, the state capacity was comprised of elite technocrats supported by the president pursuing economic development while in return, the president achieved political legitimacy. Third, there was imbalanced growth strategy through state intervention which gave birth to growth first and distribution later, residual welfare provision and leaving choice and concentration mainly regarding industrial policy. Fourth, there were unexpected side effects in that it created a unique set of norms for government bureaucrats. In short, it was a situation where preferential treatment of efficiency and growth was put first while other democratic values (equity, human rights etc.) fell behind.

It was against this backdrop that the '97 financial crisis happened. It was a huge turning event through which the Korean society was forced to accept the global standard of neoliberalism. It imposed the so called economic reforms such as free market access, deregulation, and flexible labor market. This was an incident in which the growth ideology of the government bureaucrats had to accommodate the ideas of neoliberalism. One disagreement by the Korean bureaucrats at this time was against the expansion of the social safety network recommended by IMF for the success of economic reforms based on neoliberalism. They insisted it could be an impediment to the economic recovery, i.e. writing off the debt.

The two places where the developmental state eventually had impacts on social policy was firstly in the economic growth and welfare conflicting with each other and the latter was the only spillover effect by the former. The second impact was on the authoritative policy making and its implementations prevailed. The programs of neoliberalism were also realized in an authoritative way while labor and tax policies related with welfare and distribution were

the major victims (Shin Kwang Young, 2013: 46–7).

III. The Unequal Society and the Responsibility of Public Administration (PA): The Unfolding of the Developmental State

1. Beginning of the Developmental State (DS)

The origin of the state-led economic development was implanted as far back as the days of the Japanese occupation in the fascist statism formed by the Meiji Restoration in the 19th Century. It required total mobilization of the state resources and consequent implementation was executed by the dominant ruling institution of the government bureaucrats. As can be seen in the DS model, the state equipped with well-prepared bureaucrats can intervene as planners and financial managers and sometimes as oppressive social controllers (Koh Seh Hoon, 2013).

Unfortunately, the trend continued as the 3rd Republic succeeded the idea of statism and the DS model. Based on the state autonomy and capacity with strong leadership, the state was able to control not only the problem of collective actions and transaction costs but rational allocation of state resources as well. In the DS model, the state adopted a disproportionate strategy in that the government policies were more favorable to capital than labor (Yang Jae Jin, 2005). As a result, the government bureaucrats were able to maintain independent development planning away from other special interests and needs.

2. Economic Crisis, Neoliberalism, and PA

Democratization in 1987 and the foreign currency crisis in 1997 were the major events in which the autonomy of the strong state lost its leverage as the fodder for global standards and the argument that the government was failing was becoming stronger. The '1987 Democratization' made it clear that the authoritarian DS model was no longer viable to promote economic growth. In addition, organized labor, civil movement with public interest groups and the outbreak of conflict interests and emergence of the pluralistic party system made it even harder to sustain the 'growth first belief' based on the DS model (Choi Jang Jip, 2006).

The 1997 economic crisis in Korea provided another opportunity to import neo-liberalism with global standards. Many people began to believe and wanted to open the market without government intervention. Preference for deregulation, competition, efficiency, and merit system that comes together with the values of a free market economy was spreading (Koh Se Hoon, 2013).

However, even after embracing neoliberalism which changed the principle of decision making from government intervention to the free market, the 'growth first belief' maintained its viability. It actually gained strength rather than disintegrating as the power of the 'chaebol' started blaming the government intervention as inefficient, and the 'chaebol' consequently expanded their business with established power. The position of the government bureaucrats and their decision-making began to turn towards representing the interest of big companies. It was a time of crisis and it seemed the government had no choice but to make favorable decisions for the big companies implying the demand of labor was next. It can actually be realized at this point that the Korean bureaucrats were not only the implementer of the DS model for economic growth but they were one of the main beneficiaries of the growth whereby the sense of duty for state development vanished (Kim Young Min, 2013). They actually became a partner or a representer for the interests of the big companies and established the foundation for growing into a massive interest group opposed against democratization and even distribution.

3. Rent-seeking Society, Bureaucracy, and PA

It is at this stage that we begin to see bureaucrats who are different from the ones we saw in the DS model. They are the ideal bureaucrats, a Weberian type of government officials who in reality is not hard to speculate that they have established their own interests while making the public policies (Chung Soung Gun, 2004). The Weberian bureaucracy in modern states would suppose impartiality in an instrumental way but in reality, the group is one of actors who have their own preferences and interests at stake. They would be in possession of rational choice perspectives, maximized budget or size, belonging to a powerful organization and pursuing their own preferences (Buchanan and Tullock, 1962; Niskanen, 1971; Dunleavy, 1991).

This was the emergence of the rent-seeking behavior of the bureaucracy (bureaucracy + mafia) and we can see some differences between before and after the economic crisis of 1997 regarding the evaluation of bureaucracy. In the past, it was important to ensure the accountability and control of the bureaucrats. However, the control of the bureaucrats while pretty much effective until the mid 80's in the strong state, became much weaker losing its momentum as the authoritarian leadership came to an end. What emerged was a maximization in self-interest and a back-scratching alliance in the form of 'bureaucracy'. The political control over the interest of bureaucrats was not as effective as

before since the politics itself was not working as it used to be. By aligning themselves with special elite groups especially the 'chaebol', they were definitely seeking their own interests rather than public interest (Kang Won Taek, 2014).

4. Problems on the Rise: Bipolarization and an Aging Society

As mentioned in the previous paragraphs, the situation has come to a point where negative aspects of 'growth first, distribution later' has starkly been exposed. That is, distribution problems are definitely on the rise. Also, through the problem of 'choice and concentration', there has come to be a wider gap between the rich and the poor in households and business sectors. Hence, the rich are richer, the poor are poorer. The household debt has risen as high as 1.1 trillion ₩ while the average ratio of household debts/disposable income has come to be 164%, higher than the OECD average (133%) and much higher than the level (127%) the US had during the sub-prime mortgage crisis (Lee Sang Bung, Han Joon, 2012). It is inevitable that a bipolarization phenomenon has happened which has led to increases of household debts and insolvent small businesses to weak domestic demand to growth slowdown to deepening the bipolarization (vicious cycle) situation. Eventually, it can be foreseen that this bipolarization will go against the 'growth first belief'.

Another palpable problem can be seen in the aging society. The aging of the Korean society has two features during this time. One is the poverty of the elderly, while the other is the ever increasing speed of the aging population. The ratio of the elderly poverty was 48.1% (2012), almost one out of two elderly (65 and over) was in the poverty level that was far higher than the OECD average (11%) (Bureau of Statistics, 2014). The speed of aging of Korea in the year 2000 will actually turn into the aged society in 2018 which will ultimately lead to the super aged society in 2026. This trend is even faster than the one shown in Japan, the U.S., and Germany. This means that there will be a rapid decrease of the working population that could support the elderly.

IV. The New Role of PA for a More Equal Society

1. Time to Transition Goals: from Growth Ideology to Quality of Life and Safety

Based on the literature that has been narrated in the previous paragraphs, we can surmise that it is indeed time to change the biased attitude of

the Korean bureaucrats. To begin with, there is a need to face that the adverse effects of 'growth first belief' that cost the well being of the people – especially middle and lower classes – exist (Lee Sang Bung, Han Joon, 2012). Other matters that need to be dealt with include more balanced perspectives between economic policy and social policy, turning aside from the blind faith of the free market and growth ideology that is used to bring about rent-seeking and bureaucratic politics, thoughts about the reflective modernization that will go beyond the 'growth first belief' as well as some deliberations for a new governance that acknowledges risks and disasters (e.g., Sewol accident) accompanied by blind growth and limits of the system.

2. From Deregulation to 'Proper' Regulation

The era of global deregulation has come while the DS (Development State) model has come to an end. Based on the arguments of government failure in the '70s, neoliberalism underlining the free market access has been emerging in many Western countries. In many developing countries that had adopted the DS model, including South Korea, the key strategy was government intervention or regulation. The economic crisis of '97 was a case in point in that it was a watershed in importing the global standard and there is now no other choice for a society which has to depend on the external market.

Chang (2006) has stated that deregulation which pushes for a global free market requires 'proper' regulation. However, it should be noted that deregulation following the standards of neoliberalism is not always market friendly. For the harmonious working of markets, we actually need effective regulation which includes 'fair', 'faithful' and 'just' transactions. Government intervention is required for the creation of a sound market in the beginning for the merit of value goods such as education and health care. The boundary of markets can be extended to the areas which are determined not only by efficiency but also by morality, fairness and 'something we can not buy with money'.

Distribution is another motivation for government intervention or proper regulation. Based on the social and economic B/C analysis, we can evaluate the impact of (de-)regulation from the perspective of distribution. Bureaucrats are called on to reflect on what has happened by the deregulation of neoliberalism. These include social disasters, weakening of the public sphere and exacerbated bipolarization. It is a well known fact that the Korean Regulatory Reform Committee (RRC) is more inclined towards deregulation rather than regulation (Hankyoreh, 2014.11.10).

3. Time to Expand the Welfare Administration

It would be hard to say that Korea is a welfare state. Some of the figures in Korea's public welfare in 2012 is far from positive. The public welfare expenditure (pwe/GDP) for Korea was only 10.4% while the OECD average showed a 21.6% (OECD, 2015). The number of government officials were 28 out of 1,000 people compared to 75.2 in OECD countries while even non-OECD countries showed a figure of 67.3. As for government officers in health and welfare areas showed a figure of 1.54/1,000pop (14 for Western European OECD countries + Japan: 26.3) which is just 6%. In terms of the number of social workers per population was 1,991 whereas Japan showed one social worker per 1,144 people in 2009 while the UK showed one social worker per 555 people in 2007. Most of these negative numbers are probably due to anti-welfare tendencies of the Korean bureaucratic system and relatively poor attitude and professional skills on their part (Lee Shin Yong, 2007). It's therefore quite natural that social policy has come to be a secondary or an after thought consequential subject that is subordinated to the economic policy.

Then, what can be done about this situation? For one thing, transforming the attitude and consciousness of the bureaucrats into a way that they are more friendly in the area of social welfare and distribution after political agreement on the welfare agenda is recommended. For example, more active participation in the formulation and implementation of social policy by the bureaucrats in a more corporative manner like the Committee for Labor, Management and Government. Another way could be making more investments regarding personnel and financial resources to elevate the professional capacity. Since many welfare bureaucrats are street-level bureaucrats, they mostly engage with this in the implementation stage. It is important to improve professional skills so that the government can secure trust from the beneficiary. Recognizing local autonomy once again is significant since all welfare programs are implemented at the local level based on the distinctive characteristics of the community.

The expansion of social welfare is not a matter of option but a mandate since South Korea will become the world's most aged society by 2050 due to a prolonged average life span and an extremely low birth rate as evidenced by the UN report.

V. Conclusion

The rationale of the 'Developmental State' (DS) that Korea adhered to was economic development and growth. The foundation of the institution

was that of an authoritarian leadership with well trained bureaucrats under its regime. The policy orientation was 'growth first, distribution later' while its strategies were 1) government intervention in planning and mobilization, 2) choice and concentration where the 'chaebol' emerged, 3) imbalanced growth between market and civil sector and 4) discrimination between economic and social policy.

The DS system lasted from the 1960's to the 80's and it wasn't until 1987 where the ideas of democratization took root. This developed into pluralistic ideas where awareness of the globalization discourse including government failure became prevalent. The economic crisis in 1997 basically ended the era of state-led developmental strategy and moved on to deregulation movements which advocated for an unfettered free market ideology. Unfortunately, things took on a turn for the worse as it actually exacerbated bipolarization where social problems including low birth rate and an aging society became rampant. This meant that the bureaucracy was basically out of control leading to negative alliance between bureaucrats and business (bureaufia) and a risky or an unstable society rushing towards an inevitable human tragedy such as the 'Sewol' incident.

It is time to take a new direction and transition of goals from the growth ideology to a focus on quality of life and safety where there is a new role of PA for a more equal society. It's just not deregulation that should happen. It should be a 'proper' regulation and it's more than time to administer and expand the welfare administration before it's really too late. Enough has been said and done. It's time to take the appropriate action.

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