



PROJECT MUSE®

Fairness, Globalization, and Public Institutions

Dator, Jim

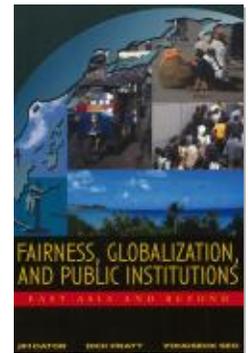
Published by University of Hawai'i Press

Dator, Jim.

Fairness, Globalization, and Public Institutions: East Asia and Beyond.

Honolulu: University of Hawai'i Press, 2006.

Project MUSE., <https://muse.jhu.edu/>.



➔ For additional information about this book

<https://muse.jhu.edu/book/64094>

International Competitiveness, Fairness, and Public Institutions in the Era of Globalization

A Korean Perspective

YONG-DUCK JUNG

In 1995, Korea ranked eleventh in world trade, had a per capita national income exceeding \$10,000, and became the twenty-ninth member of the Organization for Economic Cooperation and Development (OECD). In 1997, however, seven of the thirty largest businesses went bankrupt. In November 1997, the Korean government had to request bailout loans from the International Monetary Fund (IMF) because of a lack of foreign exchange reserves. The per capita national income dropped to about \$6,700, which sharply lowered credit ratings. The number of jobless and the level of income inequality rapidly increased during and after the IMF structural adjustments (see table 18.1).

The currency crisis of 1997 and subsequent economic difficulties have caused most Koreans to regard globalization as a new international order that represents more unforeseen dangers and challenges than potential opportunities. It seems that the current economic difficulties, which began with the currency crisis at the end of 1997, are the result of a failure to properly respond to the globalization phenomenon. To Korean social scientists other than neoclassical economists, globalization seems to be “a new kind of imperialism” that a small country cannot avoid.¹

In August 2001, the government completed its repayment of the IMF loans three years ahead of schedule, making Korea the first among the countries hit by the 1997 Asian financial crisis to fully repay those loans. The GDP growth rate in 2001 was 3.1 percent. Yet the negative rather than positive Korean sentiments toward globalization have been reinforced since the terrorist attacks on the United States on September 11, 2001. The tragic events made the American economy sluggish, and this in turn made Korean economic prospects all the more gloomy. In addition to the economic effects, the events of September 11 dramatically illustrated the turbulent nature of globalization and how complicated it is to forecast and understand its vicissitudes, and underscored the vulnerability of this

Table 18.1 Economic Growth, Unemployment, and Inequality in Korea

YEAR	GDP GROWTH RATE (%) (1995 PRICES)	NI PER CAPITA (\$) (CURRENT PRICES)	UNEMPLOY- MENT RATE (%)	JOBLESS (1,000 PERSONS)	GINI CO- EFFICIENT (URBAN HOUSEHOLDS)
1996	6.8	11,385	2	435	0.291
1997	5.0	10,315	2.6	568	0.283
1998	-6.7	6,744	7	1,490	0.316
1999	10.9	8,595	6.3	1,374	0.32
2000	9.3	9,770	4.1	913	0.317
2001	3.1	9,000	3.8	845	0.319
2002	6.3	10,013	3.1	708	0.312
2003	–	–	3.4	777	0.306

Source: Bank of Korea, each year, <http://ecos.bok.or.kr>; National Statistics Office, each year. Available at www.nso.go.kr/newcms/help/faq; <http://kosis.nso.go.kr>.

“global, open society where virtually anything can be transmitted, good and bad, very quickly.”²

Globalization may have resulted from the conscious efforts of certain leading countries and multinational corporations. It also may be an inevitable phenomenon at this stage of human history with the admixture of information technology development and the “end of ideology.”³ Whatever its origins, a small country like Korea cannot be so much an innovator as it can be a beneficiary of the globalization phenomenon. Considering the unhappy legacy of recent history and the consequent mutual mistrust in East Asia, at least for the foreseeable future, globalization will have a more difficult task advancing regional cooperation to mitigate its shocks and challenges in Asia than in European countries.⁴ It is inevitable, then, that Korean public institutions adapt aggressively to the globalization phenomenon.

After the financial crisis of 1997, public policy makers realized that the country’s existing governance system did not fit well with globalization, hence it invested considerable effort to reform public institutions to adjust to globalization. The outcome, however, was not satisfactory and left the existing core institutional structure of government intact. Moreover, the reform efforts were an insufficient response to globalization in terms of their goals and scope. The government focused primarily on enhancing international competitiveness and restructuring its governance system appropriate to globalization, as it had done

in the earlier period of rapid industrialization. Other than these narrow goals and scope of reform efforts, focused mainly on pro-market governance, the government has paid scant attention to the issues of fairness, an issue that globalization may worsen both within Korean society and between Korea and other societies.

International Competitiveness

As globalization proceeds, the world becomes integrated “through explosively increasing material, ideal and human flows across the borders of the nation states and to processes whereby social relations acquire relatively placeless, distanceless and borderless qualities.”⁵ Therefore, globalization requires a country’s public institutions to adopt global standards. As a small, export-dependent country, Korea is no exception and is rather more vulnerable to this new challenge of globalization.

Korea is a “developmental state” that uses considerable state interventions in the market and civil society. Most of these interventions focus on rapid industrialization and economic development. State interventions maintain a high level of state autonomy and policy capability by institutionalizing a governance system of executive dominance, centralized central-local government relationships, a highly integrated bureaucracy, and corporatist government-business and government-nongovernmental organization (NGO) relationships.⁶

Many Korean policy makers and social scientists believe that such a governance system contributed much to the country’s rapid economic growth, at least until the 1980s. Even the pro-market international organizations such as the World Bank praised the governance system as unique and a great contributor to the country’s rapid economic development.⁷ Since the currency crisis of 1997, however, the governance system has been criticized as one of the main causes of the economic crisis: the Korean mode of governing and its institutional structure have become more and more unsuited to global standards.

In fact, Korea has been recently evaluated as a country with a low level of international competitiveness. The World Economic Forum (1996), for example, ranked Korea 20th among forty-nine countries in level of competitiveness.⁸ It might be understandable that Korea was outranked by Singapore (1st), Hong Kong (2nd), Luxembourg (5th), and Switzerland (6th) in the international competitiveness index because such small and open economies specialize in providing trade and financial services to the rest of the world. Considering its rapid economic growth during the last several decades, however, it is rather hard to understand why Korea was also outranked by its Asian neighbors, the so-called newly industrializing countries (NICs) of Taiwan (9th), Malaysia (10th), Japan (13th), and Thailand (14th).⁹ Why did the country rank so low in competitiveness?

A partial explanation can be found by examining the methodology used to

create an international competitiveness index, which applies eight clusters of structural characteristics to each country, as follows:

1. Openness of the economy to international trade and finance: i.e., the extent to which a country's goods and financial markets are linked to worldwide markets, with the expectation that the more open the market, the more competitive it is.
2. Role of government budget and regulation: i.e., the intrusiveness of government spending and taxation and economic regulation, with the expectation that the lower the level, the better for competitiveness.
3. Development of financial markets: i.e., the development and efficiency of banking and stock markets, with the expectation that the more underdeveloped or burdened by government regulation they are, the worse it is for competitiveness.
4. Quality of business management: i.e., the capacity of business leaders and business organizations to respond to new market opportunities in a creative and flexible manner.
5. Labor market flexibility: i.e., the extent of government restrictions on labor flexibility, the distortion of taxation on labor, and the quality of industrial relations, expecting that the more flexible, the less taxation, and the more smooth industrial relations are, the better for competitiveness.
6. Quality of judicial and political institutions: i.e., the extent to which the legal and political systems provide for low "transactions costs" in writing and defending contracts and in protecting property rights.¹⁰
7. Quality of infrastructure: i.e., a country's systems of transport, communications, power, and other infrastructure services.
8. Quality of technology: i.e., a country's capacity in basic and applied sciences.

The main indicators of higher levels of competitiveness are neoliberal prescriptions such as openness, flexibility, and small government. This explains why in the competitiveness index Anglo-Saxon countries like New Zealand (3rd), the United States (4th), Canada (8th), Australia (12th), and the United Kingdom (15th) outrank most European Union member states other than the open and small ones. This also explains why Japan and Germany, the two most competitive countries in the latter half of the twentieth century, ranked only 13th and 22nd, respectively. These countries retained characteristics such as relative closure to international trade, big government, and labor market inflexibility.¹¹

Consequently, some analysts consider the relatively low level of Korea's competitiveness as merely the result of neoliberal biases in the measurement index. They may analogize this with the case that it is hard for non-Western participants

to win international beauty contests because of the bias for Western standards of beauty. Such an analogy is not very persuasive, however, considering that the higher the rank in the competitive index, the higher the economic growth during the same period.¹² It is inevitable, then, that a country must restructure its governance system to become more open, flexible, and smaller if it wants to achieve better economic performance.

Reform Efforts and Institutional Path Dependency

After it required IMF loans at the end of 1997, the Korean government concentrated its efforts on the reform of public and private institutions. Public institutions have been both an initiator and an object of such reforms. On the one hand, public institutions have been a subject for conducting structural adjustments in the private sector, including financial, corporate, and labor sectors. On the other hand, public institutions have also been an object of reform.

To reform public institutions, the Korean government has applied the so-called “New Public Management” or “Entrepreneurial Government,” which stresses a “small but efficient government.”¹³ By introducing pro-market governance models, the government tried to become smaller, more open, flexible, and market-like competitive. The post-IMF reform efforts include a wide variety of re-organizations and deregulations of public institutions (see tables 18.2 and 18.3).¹⁴

The results of these reform efforts were unsatisfactory in at least two aspects. First, the goal itself of a market-like government was not relevant enough to reform the Korean government. This will be discussed in some detail in the next section. Second, even the goal of reforming public institutions by applying a market-like governance model was not achieved satisfactorily, for reasons that will follow.

As indicated above, the Korean government has put forth considerable effort in restructuring its public and private institutions by applying pro-market models. However, the role the government played in the process of the post-IMF structural adjustments was not much different from its past economic management.¹⁵ While it is true that after the currency crisis the government’s primary economic goals changed from promotion of rapid industrialization to making structural adjustments to the free market economy, the government still played the role of the “developmental state.” The government has not only enforced structural adjustments to overcome the economic crisis, but also worked on industrial policies to foster certain industries.

A telling example is the information-communication industry. Right after the currency crisis, the Kim Dae-jung government initiated the so-called “knowledge-based society” and strategically supported the information-communication industry. The government also selected and supported many venture

Table 18.2 Changes in Korean Central Government Positions (1993–2001)

GOVERNMENT	YEAR	MINISTER & VICE- MINISTER LEVEL	DIRECTOR- GENERAL (GR-1, 2, 3) LEVEL	DIVISION CHIEF (GR-4) LEVEL	LOWER THAN GR-5 LEVEL	TOTAL
<i>Kim Young-sam</i>	1993	-4	-8	-15	-112	-139
<i>Government</i>	1994	-5	-31	-112	-854	-1,002
	Total	-9	-39	-127	-966	-1,440
<i>Kim Dae-jung</i>	1998	-14	-70	-115	-7,442	-7,641
<i>Government</i>	1999	2	0	0	0	2
	2000	4	-90	-200	-2,436	-2,722
	2001	6	-2	17	99	120
	Total	-2	-162	-298	-9,779	-10,241

Sources: Ministry of Government Affairs & Home Affairs, *Annual Report*.

Table 18.3 Reductions of Korean Public-Sector Staff (1998–2000)

	PLAN (A)	ACHIEVEMENT (B)	B-A
<i>Total</i>	130,278	131,082	804
<i>Central Government</i>	21,858	21,356	-502
<i>Local Governments</i>	49,506	49,506	0
<i>Public Enterprises</i>	41,234	41,704	470
<i>Subsidiaries</i>	17,680	18,515	836

Source: Ministry of Planning and Budget, *Annual Report*, 2001.

businesses to foster the growth of medium- and small-sized enterprises. Thus the main changes were that the targeted industrial sector was to be supported by a mercantilist approach. Specific sector support that had shifted from the import substitution industries in the 1960s to the heavy chemical industries in the 1970s was now concentrated in information-communication industries.

The post-IMF restructuring process shows, therefore, that at least in the short term, globalization has sustained and reinforced the institutional structure of the “strong state.” In the name of “restructuring,” the government conducted numerous interventions in the areas of finance, industry, and labor. The schemes

to restructure both the public and private sectors have not been very different from the “reform from above” of Korea’s previous era of rapid industrialization. Although the Korean government publicized its structural adjustments as New Public Management, its real efforts have been at maintaining and reinforcing the institutional structure of the strong state. The reform efforts have been bureaucratically initiated, directed, and controlled by the top-down approach of the core executive. There have been no provisions for significant change to the mechanism by which the government wields its corporatist control over the “quagos” and “quangos” (quasi-autonomous NGOs) that function as intermediaries between the state and society. Some of the main factors that contributed to the maintenance and reinforcement of the institutional structure of the strong state in Korea are listed below.

First, the economic debacle resulting from the dramatically changed international environment of globalization has led the Koreans to prefer a strong state. Along with the democratic transitions that have occurred since the late 1980s, decentralization of the state apparatus and management has made considerable progress. While experiencing an economic crisis since 1997, however, Koreans have implicitly agreed that in order to be more responsive to both the crisis and globalization, they need to restructure the state and society under the strong and able leadership of the president. Since 1998, the establishment of the Planning Budget Commission (PBC), which was renamed as the Ministry of Planning and Budget (MPB) in 2000, as a core agency of the administration was supported by the public’s nostalgia for the former Economic Planning Board (EPB), the pilot agency of the Korean developmental state (1961–1994).¹⁶ Many people fondly remember the EPB’s powerful role during Korea’s rapid industrialization.

Second, the institutional characteristics embedded in the state apparatus have also had consequential effects. The traditional top-down approach to government reform eventually creates favorable conditions for central agencies to sustain their power. The establishment of the PBC and the attempts to upgrade it to the MPB are the result of the united front taken by former EPB officials (see table 18.5 below). The resurrection of the EPB would not have been possible without the sophisticated bureaucratic politics of former EPB officials in the face of opposition political parties.

The institutional persistence of the Korean state apparatus is not constrained by the adoption of the pro-market governance models like the New Public Management. While the model reflects a strong orientation toward a pro-market state, it runs the risk of centralizing political power in the core executive. By applying this reform model to the Korean government, it is quite likely that the core executive would maintain its dominance over the policy-making process, hence supporting the “imperial presidency.”¹⁷

This shows that reforming public institutions is a difficult task; it is diffi-

cult to change existing public institutions because of their tendency to reproduce well-established patterns. Korean public institutions differ significantly from the neoliberal market-oriented institutions such as are found in some Western countries. It is difficult to change the existing public institutions because of special interests within the bureaucracy. Such institutional persistence limits the possibilities of future changes to public institutions that would make for better adaptation to globalization.

Great Policy Failures

The reform efforts conducted by the Korean government have been limited to the narrow goal of pro-market governance. Besides the challenges attributed more to such exogenous factors as globalization, Korean public institutions need to be reformed because their policy failures can be attributed to more endogenous factors. The Korean government conducted a number of large-scale public projects, some of which resulted in great policy failures or disasters. Naturally, such failures and the resultant severe side effects contributed to negative feelings toward the government. Examples of some recent monumental policy failures are followed by a discussion of their root causes.¹⁸

The construction of Cheongju International Airport from 1992 to 1997 cost the Korean government US\$93 million. However, the number of flights handled by the airport the year after construction was remarkably low. International flights, which represented only 7 percent of all flights, ceased operation after 1997, leaving only one domestic line in operation. The project represented a giant loss, which was caused by a poor estimate of demand.

The government formally announced a cable TV network project in 1990 by providing free programming to over 10,000 households as an experiment. During 1993 and 1994, the government selected the Program Providers (PPs) and Network Operators (NOs), but the original plan to begin paid services in 1994 was delayed for almost two years due to lack of preparation. The original estimate was that about 500,000 households would subscribe to pay cable TV networks. In reality, only about 230,000 households subscribed. With such a low subscription rate, it was hard for the PPs and the NOs to earn income from advertisements, which are the primary sources of revenue. There were approximately 860,000 subscribers in 1999, but only 3 out of 29 PPs earned a profit, and each of the 46 NOs were in the red. By forcing public and private enterprises to cooperate in the project, the government was responsible for a heavy financial burden on the participating cable TV networks.

The Seoul-Busan High-Speed Railway project was to construct a 450-km railway connecting Seoul to Busan, with an investment that totaled 5,800 billion won (US\$7.3 billion) between 1991 and 1998. However, the original budget had

increased threefold by 1998, increasing the debt to 18.4 trillion won and extending the date for completion to 2010. Again, the government's failure was caused by an inaccurate estimate of both the cost and time necessary for completion.

The Korean government enacted the National Welfare Pension Act in 1973 but had to delay it due to a recession that occurred after the oil shock of 1974. In 1986, the government enacted the National Pension Act, which was applied to companies with ten or more employees. It was extended to firms with five or more employees in 1992, to farmers and fishermen in 1995, and, finally, to the entire population in 1999. Ineffective fund management caused the earning rate to spiral downward. This raised concerns about the stability of the fund. In 1999, less than 30 percent of the self-employed covered by the National Pension System willingly reported their income, and only about 60 percent of them paid their insurance bills. Due to rising criticisms over unfairness of the rates charged, insurers began to reject payments. According to a survey, only 19 percent of those covered expected the National Pension System to be helpful during their retirement, and only 4 percent considered salaried workers and the self-employed to be co-expense sharers.¹⁹

In 1987, the objective of the Sihwa Lake Project was to form 17,000 hectares of reclaimed land by investing 899 billion won (US\$2.4 billion) in the project by 1998. At a cost of 528 billion won, by 1994 it was supposed to provide 180 million tons of agricultural and industrial water by building a 12-km tide embankment and making 69.1 sq km of the Sihwa Lake. Polluted water from surrounding farms and factories flowed into the lake and forced the government to build a sewage disposal plant in 1996 at a cost of an additional 449.3 billion won. However, the damage had been done. Research conducted in 1997 reported that the lake was severely polluted. Eventually, the government abandoned the project. A further 2,348.3 billion won (US\$2.9 billion) was invested to reclaim the land. The results of this project: a polluted lake and a destroyed marine environment.

The Korean government's policy failures had some common characteristics. First, each was a large-scale public project with a huge budget. Each raised questions of whether, at the time, these large-scale public projects fit both Korea's social efficiency and national priorities. Second, the public policies were pushed forward without proper preparation and were based on unreasonable expectations of production costs and the demand of policy outputs. Thus there were repeated trials and errors in the process of implementing the projects, which resulted in a longer term for completion and a larger budget than anticipated.

Such large-scale policy failures were caused by political factors. One is that public policies were created to fulfill the private agendas of political leaders in government. These leaders initiated the projects in order to demonstrate their ambitious spirit to the public and to cultivate popular support. They rushed to announce their grand plans and paid scant attention to the monumental de-

mands of each project. Worst of all, these political leaders tried to satisfy their own interests by various forms of corporate patronage.

The difficulty of policy coordination among the administrative agencies that were responsible for the projects was another major cause of failure. When the Republic was established in 1948, Korea's public administration was structured to perform the basic functions of building the nation. During the authoritarian regime of President Park Chung-hee (1961–1979), the state began to play a greater role in economic development. This basic structure has been maintained over the past forty years and has been supplemented only by “patchwork” reforms to meet proposed deadlines. The partial and incremental growth of the administrative apparatus for the past forty years has created serious functional overlaps among the various agencies. Such functional and organizational overlaps have made policy coordination among agencies difficult.²⁰

Ironically, policy coordination among the administrative agencies has become more difficult as Korean democratization has developed. Policy coordination may have been more effective under authoritarian governments. Political leaders, with the assistance of powerful central agencies like the EPB, could easily coordinate policies between administrative agencies using top-down approaches. Politico-administrative democratization has provided some discretionary power to individual agencies, but new pluralist collective decision-making processes have not yet been institutionalized.

Neoliberalism and Equality of Opportunity

In addition to international competitiveness, Korean public institutions have been faced with issues of fairness and other issues attributed to globalization. In all societies, the norms of fairness evolve, although each society may differ substantially from others in its perspectives of fairness. There are at least three different norms of fairness, including egalitarian, meritorious, and need-based conceptions of distributive justice.²¹ A society that has developed an egalitarian value system will focus on the equal distribution of social values. A society developed on a meritorious value system will focus less on the level of equalization of social values as an end state and more on the equalization of opportunity. A society with a need-based value system will consider the fundamental deficiencies in meeting human needs. Any of the three norms of fairness will be affected by globalization. It is necessary, therefore, to consider fairness as an important issue in reforming public institutions with respect to globalization.

According to the meritorious principle, the end state of income distribution is not the focus of concern. It is important instead to focus on the fairness of procedures—that is, whether everyone is provided with an equal opportunity, such as the chance to develop his or her abilities and capacities and to succeed

Table 18.4 Korea's Corruption Perceptions Index (CPI)

YEAR	NUMBER OF COUNTRIES EVALUATED	RANK OF KOREAN GOVERNMENT	CPI
1995	41	27	4.29
1996	54	27	5.02
1997	52	34	4.29
1998	85	46	4.20
1999	99	50	3.80
2000	90	48	4.00
2001	91	42	4.25
2002	102	40	4.50

Source: www.transparency.de/documents/cpi.html.

through effort. Thus in evaluating a country's fairness, the principle of equal opportunity can be applied to the extent to which there are illegitimate barriers to improving incomes or to which opportunities are available to some groups but not others.

According to the meritorious criteria, Korean public institutions have practiced a considerable number of unfair procedures and policies. The Korean government has intervened in civil society and the market numerous times and has had a significant impact on the redistribution of social values. The government permitted large firms to conduct monopolistic pricing in the name of encouraging economies of scale and enhancing competitiveness in international markets. Government policies were more beneficial to profit earners and to expert-oriented industries than to wage earners and domestic consumption-oriented industries. They also benefited larger-sized firms rather than small- or medium-sized ones, and men more than women. The list goes on.²²

Perhaps more worrisome has been the unending corruption and favoritism of public institutions. While administrative corruption by street-level bureaucrats has declined significantly, political corruption remains static. As seen above, the free election process requires a tremendous amount of politically raised money, which in turn encourages politicians to amass private political funds illegally. Such illegal private fund-raising forces political leaders to practice favoritism, resulting in a reduction of the state's legitimacy and policy capability. This explains why the Korean government has been ranked low (27th among 41 countries in 1995 and 40th among 102 countries in 2002) in the Corruption Perceptions Index

(see table 18.4). As noted above, political-administrative corruption contributed much not only to the great policy failures, which reduced the country's international competitiveness, but also to procedural unfairness in Korean society.²³

Fortunately, globalization may contribute to improving procedural fairness in Korea. By pursuing "one global market," globalization nudges every society toward a neoliberal value system, which, although it disregards the end state of distribution of social values within the country or between countries, is coincident with a meritorious notion of fairness. If public institutions adopt especially the elements of "good governance," it is hoped that Korean society will improve its procedural fairness more effectively.

Inequality and a Social Safety Net

The norm of equal distribution of social values as an end for the state appears to have a place in the social ethic of any society. Every human being is equally human, and that minimum qualification entitles all to share equally in certain human rights. In addition to civil rights such as freedoms of speech, press, and assembly, people are entitled to certain economic rights such as food, shelter, and education. Consequently, the greater the equal distribution of social values as an end for the state, the higher its achievement of fairness. On the other hand, the needs-based norm of fairness prescribes that social values should be distributed on the basis of individual needs. In most forms, the norm of fairness shares common ground with the other two social values and hence is a method of mediating the application of the egalitarian and meritorious norms of fairness.

Fortunately, inequality of income and wealth has not been particularly severe in Korea, with the exception of the rapid industrialization period of the 1970s. Its Gini coefficient, one of the reliable measures of income inequality in a society, was .36 until the 1960s, increased to the .40s during the rapid industrialization of the 1970s, reflecting greater inequality, but has lowered to less than .30 during the 1980s and 1990s.²⁴ As the post-IMF restructuring proceeded, however, income inequality rapidly increased to over .30 (see table 18.1).

Moreover, as the post-IMF structural adjustments have proceeded, the unemployment rate and the number of jobless have rapidly increased (see table 18.1). From 1997 to 1998, unskilled, low-income workers were particularly affected as job losses for clerical and operative workers exceeded twelve million.²⁵ The Korean government increased the budgets for national pension and welfare to assist the unemployed. However, only 7 percent of the total unemployed have benefited from unemployment insurance, and less than 9 percent of the unemployed have benefited from the public assistance programs. This means that more than 90 percent of the jobless are outside the social safety net.²⁶ Therefore, the Korean

government needs to include in its reform goals the establishment of greater social safety nets to secure basic needs for the jobless and to mitigate the increasing income inequality.²⁷

In this context, many Koreans fear that the so-called “20:80 society” will emerge with the advance of globalization.²⁸ As is often pointed out, globalization may influence the “distribution of power and wealth within and between countries.”²⁹ A gloomy prediction on this impact is that 20 percent of the population will garner and enjoy most of the benefits of globalization, while the remaining 80 percent will be insulated from them.³⁰ The wealthiest 20 percent of Koreans account for 39.3 percent of the total national income. Fortunately, this is a relatively lower level of inequality when compared with 40.2 percent for France, 40.3 percent for Switzerland, 43 percent for Britain, and 46.4 percent for the United States.³¹

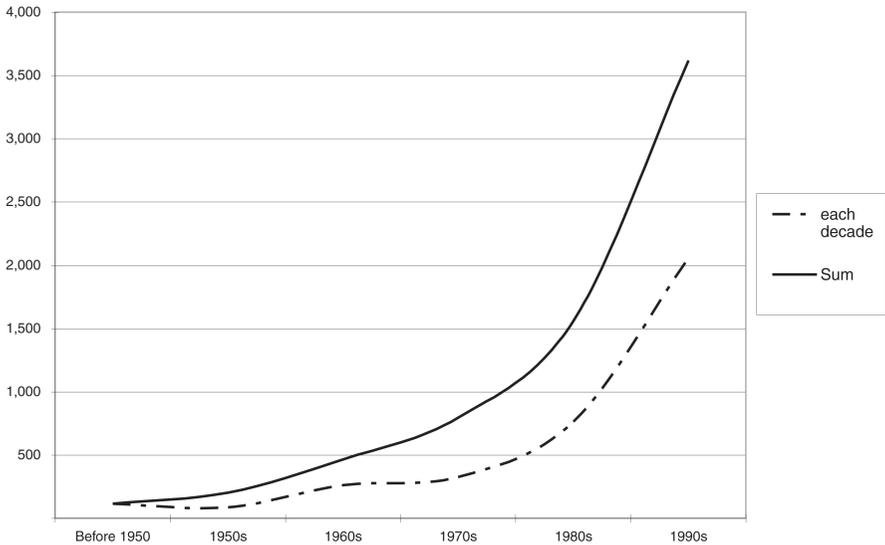
A Confucian value system such as prevails in Korea may conflict with the neoliberal individualism of globalization: the former has a more egalitarian orientation and emphasizes social harmony within the community, while the latter is more meritorious and emphasizes individual competition in one global market. Korean society needs to reconcile adopting global standards for globalization with building democratic consensus for national priorities for fairness. It will not be an easy task because what is considered good for the former is not necessarily considered good for the latter.

Political and Educational Implications

Considering the tasks of public institutions in the era of globalization, Korea needs first to accelerate the speed of its democratic consolidation. After more than four decades of authoritarian rule, Korea has been in the process of democratic transition since the late 1980s. Now, political regimes change by free popular elections, and local self-government can be formed by the will of residents. In spite of such progress in democratization, the country still needs to reform public institutions to overcome their authoritarian ways of governance with core executive dominance and top-down bureaucratic management approaches.

In this context, globalization and democratization can be of mutual benefit in the future. On the one hand, as democratization proceeds, the government will be able to increase its legitimacy and policy capabilities, which are necessary to conduct reforms more effectively with the goal of good governance. On the other hand, as globalization deepens, the country is forced to adopt global standards, which can be summarized by the concept of “good governance.”³² This will make the Korean policy-making process more accountable and transparent, which will result in improved democracy.³³

One of the significant developments since the late 1980s is the rapid growth

Table 18.5 Growth of NGOs in Korea

Source: Citizen's Movement Communication Center, Directory of Korean NGOs, 2000

of civil society, which has contributed to the accumulation of important social capital. More than half of all NGOs have been established since 1990 in Korea (see table 18.5). Also, the NGOs established after 1990 differ from the previous ones in terms of their goals and relationships with government. The former pursue a more reformist agenda and are critical of or independent from government, while the latter have a mainly pro-government orientation. The former pursue policy goals such as democratization, environmental protection, gender equality, and civil rights, rather than pro-market economic liberalization.

The growth of NGOs will be an important factor in improving fairness and the equitable distribution of social values. However, NGOs will not necessarily be a contributing factor to the reform of government institutions when these institutions move to adopt and adapt to pro-market global standards.

Relevant education and research will be another important factor for Korea's effective adoption of globalization. During the last several decades, the Korean people's desire for high levels of education, investment, and performance brought about rapid economic development. Korean parents send their children to school even though they do not have an automobile or a house. This is an invaluable element of the Confucian value system. The problem is the content of the education. The younger generation, especially those who are interested in solving

public-policy problems, need to be educated in understanding, thinking, and acting globally. In order to overcome the obstacles to globalization, it is necessary to provide the ideas, theories, and techniques of good governance to the incumbent and future public administrators and NGO activists. These administrators and activists need to learn how to collaborate to define and solve public-policy issues. Public administrators need to recognize that the NGOs are important partners in the co-production of public goods. Traditionally, public administrators have regarded NGOs as an arm of government to be mobilized for effective policy implementation. NGO activists, most of whom were former political activists against authoritarian political regimes, also must learn to consider public servants as counterparts in solving public-policy issues, not as “enemies” to oppose at every turn. Public institutions and education for public service are related. A telling example is the civil-service recruitment system. Public service is still regarded as one of the most prestigious careers in Korea. However, those who want to become civil servants must pass civil-service examinations, which mostly are written. Students used to memorize textbooks and thus prefer traditional types of lectures to seminars, case studies, and internship training. Educational institutions, therefore, contribute to limiting the more dynamic curricula and teaching methodologies.

Fortunately, the government introduced an open recruitment system for about 20 percent of the higher-level civil-service positions (i.e., director generals), which has encouraged the government to scout for personnel in the private sector and abroad as well as within the traditional base. Some fear that an open, competitive, contract-based recruitment system will weaken the institutionalized civil service that has been considered desirable for state capabilities during the last several decades. However, applying an open recruitment system, at least for a proportion of public positions, will stimulate civil service. Moreover, practicing open civil-service recruitment will force Korean students who want to become civil servants to pursue diversity in their education and training. As this case shows, quality public institutions require quality education, and vice versa.

Every society will change as globalization proceeds, but there will be a variance in the speed, style, and content of changes, depending on the society. Considering the institutionalized pattern of the Korean governance system, it is unrealistic to expect that the Anglo-Saxon model of governance, the one most suited to global standards, can be reproduced in precisely the same way in Korea.

The ultimate goal of reform is to institutionalize a “Made in Korea” model of governance that is suited to global standards as well as to a locally built consensus of values and culture. In the era of globalization, as in the past eras of modernization or industrialization, the issue of relevancy must be emphasized. To monitor, predict, evaluate, and revise the reform processes and plans, it is

necessary to conduct research in comparative perspectives. It is also necessary to learn about and compare the cultural and institutional developments of different countries. Furthermore, international cooperation is required in order to conduct comparative research, to develop curricula, and to offer educational and training programs that focus on the future of globalization.

Notes

1. Korean Political Science Association, "The Korean Political Economy: Crisis and Response," proceedings of the Special Conference of the Korean Political Science Association, Seoul, March 21, 1998 (in Korean).

2. R. Ghere, "Globalization, Public Service Ethics, and Public Trust: Some Directions for Inquiry," paper presented at the 63rd National Conference of the ASPA, March 23–26, 2002, Phoenix, Arizona, 6.

3. D. Bell, *The End of Ideology* (Glencoe, Ill.: Free Press, 1960).

4. Korean Political Science Association, "The Korean Political Economy."

5. J. Rosenau, "Letter from James N. Rosenau," *Fairglobe-1* (2001). Available at www.fairglobe.hawaii.edu.

6. Y. Jung, "The Territorial Dimension of the Developing Capitalist State: Measuring and Explaining the Centralization in Korea," *International Review of Administrative Sciences* 53 (1987): 128–153.

7. World Bank, *World Development Report: The State in a Changing World* (Oxford: Oxford University Press, 1997).

8. Korea was even ranked as low as 23rd in 2001. See World Economic Forum, *The Global Competitiveness Report 1996* (Geneva: WEF, 2001).

9. The Asian NICs that Korea outranked included Indonesia (30th), the Philippines (31st), and China (36th), all of which have maintained a relatively low level of per capita income or have recently liberalized markets. See F. Hu and J. Sachs, "Executive Summary," in World Economic Forum, *The Global Competitiveness Report 1996*, 15.

10. Ibid.

11. Ibid.

12. J. Sachs and A. Warner, "Why Competitiveness Counts," in *The Global Competitiveness Report 1996*, 10–11; and Hu and Sachs, "Executive Summary," 16–17.

13. Jon Pierre and B. Guy Peters, *Governance, Politics and the State* (New York: St. Martin's Press, 2000).

14. Even before the post-IMF restructuring by the Kim Dae-jung government (1998–2003), the previous governments conducted a number of governmental reforms by establishing the Presidential Committee on Administrative Reform (PCAR), including President Roh Tae-woo (1988–1993) and Kim Young-sam (1993–1998). The PCARs of the three governments proposed reform goals such as promoting democratization, social justice, and welfare in the 1980s and pursuing a more market-oriented governance system in the 1990s. The reform committees put forth a lot of effort, which included reorgani-

zation and deregulation of the central and local governments, to achieve their goals. I believe, however, that the financial crisis of 1997 and the economic difficulties since then were caused, at least in part, by the unsuccessful results of the previous administrative reforms.

15. Y. Jung, "Institutions, Interests and the Post-IMF Structural Adjustment in Korea," *Korean Journal of Policy Studies* 16.1 (2001): 11–22.

16. Y. Jung, "Globalization and the Institutional Persistence of the Developmental State in Korea," *Korean Journal of Policy Studies* 15.2 (2000): 27–40.

17. Ibid.

18. Ibid.

19. *The Chosun-Ilbo*, April 26, 1999, 7

20. Jung, "Globalization and the Institutional Persistence of the Developmental State in Korea."

21. Y. Jung and G. Siegel, "Testing Perceptions of Distributive Justice in Korea," *Journal of Northeast Asian Studies* 2.2 (1983): 45–66.

22. Ibid.

23. Y. Jung, "Great Policy Failures, Public Administration's Credibility, and Good Governance in Korea," *International Review of Public Administration* 5.1 (2000): 152–159.

24. Such a relatively low level of income inequality is due to various historical and cultural factors, including the almost total destructions caused by Japanese colonial rule and the Korean War and the Confucian value system, which emphasizes social harmony. The Korean government's efforts to develop social welfare programs, including national pension, health insurance, etc., as the country became more industrialized in the 1980s are also contributing factors. See Jung and Siegel, "Testing Perceptions of Distributive Justice in Korea."

25. S. Park, "Labor Market Policy and the Social Safety Net in Korea: One Year after 1997 Crisis," *Korean Policy Studies Review* 9.2 (2000): 294.

26. Until the mid-1960s, the "absolute poverty" group in Korea comprised about 40 percent of the total population. This declined to 15 percent in the mid-1970s and has more significantly declined since then due to the rapid economic growth. See *ibid.*, 291–318.

27. A telling example of the necessity for Korea to build a social safety net is the disastrous subway blaze in Daegu Metropolitan City in February 2003, which left at least 198 people dead, 145 injured, and about 160 missing. That tragic accident was the result of arson by an unemployed taxi driver in his mid-fifties. *The Korea Times*, February 18, 2003, 1.

28. H. Martin and H. Schumann, *Die Globalisierungsfall* (Hamburg: Rowohlt Verlag GmbH, 1997).

29. D. Held et al., *Global Transformations: Politics, Economics and Culture* (Stanford, Calif.: Stanford University Press, 1999).

30. Martin and Schumann, *Die Globalisierungsfall*. E.g., in the United States from 1950 to 1979, the real revenue of households in the richest quintile increased by 99 percent, while the average income of the poorest fifth of the population increased by 99 percent. However, the 20 percent of the poorest sector of the population accounted for

a mere 3.7 percent of national income (against 5.5 percent in 1970), while the richest quintile accounted for an unprecedented 50 percent. Other statistics show that the average income gap between people living in the most advanced countries and those living in the poorest is greater today (74 to 1) compared to 1960 (30 to 1) See P. Golub, "Globalization and its Discontents." *The Donga-Ilbo*, August 16, 2001, A7.

31. *The Korea Herald*, March 7, 2003, 5.

32. For the concept of "good governance," see Asia Development Bank, *Annual Report 1998*, available at www.adb.org/Governance/default.asp.

33. Jung, "Great Policy Failures, Public Administration's Credibility, and Good Governance in Korea."