


Opinions

November 28, 2014

Lessons from Korea's Development Experience



Hyelin Choi

Ph.D., Research Fellow, International Macroeconomics Team
Korea Institute for International Economic Policy 

Korea was a Japanese colony for 35 years, and was liberated from colonial rule in 1945. However, after the Second World War, the country was divided into two political units - the South and North - by the US and Soviet Union, and in the South the government of the Republic of Korea was established on August 15, 1948. The following outbreak of the Korean War in 1950 devastated the country, destroying the nation's economic fundamentals. In addition, prolonged political instability generated social havoc throughout the country in the 1950s. Korea during these times was marked by political chaos and economic stagnation.

In 1961, Park Chung-hee came to power through a military revolution. The government recognized economic development as a key to the establishment of a stable country as well as its own

political success, and implemented all-out economic development plans. In accordance with the political leadership's commitment, government-led economic development was carried out in the 1960s and 1970s. As a result, this brought about remarkable economic progress displayed in the phenomenal record of a 9.5 percent GNP growth rate per year in the early 1960s. Backed by this momentum, Korea transformed from one of the poorest countries in the world to a modern industrial nation within the span of a single generation.

Such incredible economic growth can be attributed to several factors. An in-depth study into these factors offer invaluable insight and knowledge for drivers of economic growth, especially for low- and middle-income countries which are attempting to undertake development planning to raise their standards of living.

First, a target for economic development was clearly presented by the government and a pervasive national consensus on escaping poverty had been formed among the Korean people. In line with this, the government placed economic development as a top priority in policy decision-making, and all resources and efforts were concentrated on to this end.

Second, Korea's experience shows how economic and political development is mutually reinforcing. The military government, which took office by a military revolution and therefore earned antipathy from the public, was able to gain support by generating visible policy outcomes. This level of economic development changed the image of the government from one filled with greed and corruption to one which served the country. Consequently, it elicited the support of the public for the economic development planning programs.

Third, economic planning was firmly founded on economic theory and an extensive database. Practical planning was carried out, based on an advanced macro-econometric planning model and quality databases. The Overall Planning Bureau's Economic Survey Division analyzed domestic economic trends and provided credible information. Also, government and private research institutes, such as the Korea Development Institute (KDI), played extremely important roles as think-tanks by proposing new policies and providing professional advice through intensive research and policy analysis. The research institutes were deeply engaged in designing and conducting economic policies in close cooperation with the government.

Fourth, efficient institutional support to carry out the planning procedures was one of the major impetuses for successful planning implementation. The Economic Planning Board (EPB)

was founded in 1961 as an agency specializing in economic development planning and was empowered not only by formulating economic development plans and economic policies but also by budgeting resources. Therefore, economic plans could be implemented on a secured budget and domestic and foreign capital could be merged and managed efficiently.

Lastly, the government's economic plan was fully backed by public support. The government held nationwide public policy forums which helped the government and public reach a consensus on economic policies. Also, this was an opportunity for the private sector to predict the government's economic policy directions over the coming years.

Overall, the Korean economy was able to attain favorable performance because of well-designed planning, comprehensive implementation and assessment, and agile adjustments in response to changing economic conditions. [KIEP](#)