

Developmental Administration in Korea based on the Effect of Sociological and Historical Institutionalism: Focused on the Function of State and Market*

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Abstract

The system of fair markets does not operate in developing states. Government intervention as a complement to markets can be regarded as the role of human capital. The appropriate balance of state versus market is significant to developing countries. Developing states may not be expected to have the social conditions of a successful free market such as industrialized countries. It can be argued that state intervention may fundamentally be necessary in developing fair markets. It was a regulated state in South Korea that had actively promoted the process of industrialization through subsidies, tax incentives, and tariff protection. State agencies can essentially complement the market under the reasonable role and function of government. Asian countries such as South Korea have exerted greater government control over markets. It is the coexistence of the traditional and modern governance that disputes the seemingly paradoxical traits between traditional administration and new public management (NPM). A worthy notion is that the process of Korean economic development is not based on the theory of traditional dichotomy between state and market for providing the best balance of state and market. There have been policies of the different systems regarding the role and function of government in the economy, including neoliberalism, neocorporatism, neostatism, and neocommunitarianism which can be explained by the theory of historical and sociological institutionalism.

Key Words: Market versus State, Historical Institutionalism, Sociological Institutionalism

I. Introduction

Different political cultures and traditions seem to have influenced the different formations of political systems. Korea was a case of authoritarian corporatism; the United States was best defined

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as a paradigm of a pluralist democracy; Austria and Switzerland illustrate democratic corporatism; and Japan illustrates corporatism combined with arrangement for selecting rulers which were intermediate between democratic system and authoritarian system (Wade, 1990:27). It is well known that there have substantially been different policies; the developmental strategies of government have, to a great extent, showed the content of different public policies including welfare (social corporatism model), short-term efficiency and economy (NPM model), and long-term effectiveness and equity (governance model) (Chan and Peking, 2003). Consequently, there has usually been traditional dichotomy between the role of government and the system of market, but the process of Asian economic development based on the strategy of developmental administration is not based on the principle of the traditional dichotomy. It has been suggested that the intervention of government is not opposed to explicitly or implicitly the function of market system.

The system of fair markets does not operate in developing states. Government intervention as a complement to markets can be regarded as the role of developing human capital. The appropriate balance of state versus market can be significant to developing countries. Developing states may not be expected to have the social condition and situation of successful free market such as industrialized countries. It can be argued that state intervention may fundamentally be necessary in developing fair markets. It was a regulated state in South Korea that had actively promoted the process of industrialization through subsidies, tax incentives, and tariff protection. It is important to mention that state can essentially complement the market under the reasonable role and function of government. Countries such as South Korea in Asia had exerted greater government control over markets. It is therefore important to keep in mind that the state versus market debate can, in fact, create the best balance of state and market. In other words, it is the coexistence of the traditional and modern governance that disputes the paradoxical traits between traditional administration and new public management (NPM). A worthy notion is that the process of Korean economic development is not based on the doctrine of the traditional dichotomy between state and market, which is the effect of historical and sociological institutionalism in shaping the governance of state capitalism.

The paper begins with a review of the theoretical framework used in analyzing state capitalism versus economic liberalism. This section discusses the concepts of neoliberalism, neocorporatism, neostatism, and neocommunitarianism. The second section describes the necessity of the accountability and transparency of state as the preconditions of economic growth and development. The third section explains the role of state governance on the process of economic development and crisis on the case of South Korea. The fourth section analyzes the effect of sociological and historical institutionalism in forming state corporatism such as the case of South Korea. The purpose of this article is to analyze the effect of sociological and historical institutionalism in forming state corporatism with the necessity of good governance for the process of development.

II. State Capitalism versus Economic Liberalism

There is a broader typology of approaches to the restructuring, rescaling, and reordering of accumulation and regulation in advanced capitalist societies: neoliberalism, neocorporatism, neostatism, and neocommunitarianism (Jessop, 2002). First, neoliberalism promotes market-led economic and social restructuring which involves privatization and liberalization of commercial criteria in the residual state sector; in the private sector, deregulation is backed by the doctrine of liberalism that supports the principle of competition and efficiency (Jessop, 2002:11). In addition, social partnership is disavowed in favor of managerial prerogatives and market forces, and neoliberals support free trade and capital mobility (Jessop, 2002:11).

Second, neocorporatism involves a negotiated approach to restructuring by private, public, and third-sector actors and aims to balance competition and cooperation. It is based on commitment to social accords as well as the pursuit of private economic interests in securing the stability of a socially regulated economy (Jessop, 2002:11-12). Thus, neocorporatist networks include policy communities in health and education, and policy implementation becomes more flexible through the extension of regulated self-regulation and public-private partnerships (Jessop, 2002:12).

Third, neostatism involves a market-conforming but state-sponsored approach to economic and social restructuring whereby the state seeks to guide market forces in support of a national economic strategy (Jessop, 2002:12). This guidance depends on the state's deployment of its own powers of imperative co-ordination, its own economic resources and activities, and its own knowledge bases (Jessop, 2002:12). Neostatism is a developmental strategy of state-driven and state-sponsored activities to attain the goal of national efficiency and effectiveness. This is reflected in an active structural policy that sets strategic targets relating to new technologies, technology transfer, innovation systems, infrastructure (Jessop, 2002:12-13). The state also favours an active labor market policy to re-skill labor power and encourages a flexiskill rather than flexiprice labor market, which guides private-public partnerships to ensure that they serve public as well as private interests. Whilst the central state retains key strategic roles, parallel and complementary activities are encouraged at regional and/or local levels, but the central state's desire to protect the core technological and economic competencies of its productive base is often associated with neomercantilism at the supranational level (Jessop, 2002:13).

Fourth, neocommunitarianism is a strategy to protect the process of uneven development. It emphasizes the contribution of the "third sector" and/or the "social economy" (both located between market and state) to economic development and social cohesion in developing and implementing economic strategies (Jessop, 2002:13). It emphasizes: the link between economic and community development in empowering citizens and community groups; the contribution that greater self-sufficiency can make to reinserting marginalized local economies into the wider economy: and

the role of decentralized partnerships that embrace not only the state and business interests but also diverse community organizations (Jessop, 2002:13). The neocommunitarian strategy focuses on less competitive economic system, which aims to redress the imbalance between private affluence and public poverty, to create local demand, to provide policies for small and medium-sized enterprises, to regenerate trust within the community, and to promote empowerment with a minimum income guarantee of citizens' wage (Jessop, 2002:13).

Neoliberalism emphasizes the system of market with the function of small government, while the intervention of state in market system is required in neocorporatism, neostatism, and neocommunitarianism. Economic liberalism is related to Adam Smith's conception of the market. The basic principles of economic liberalism include free markets, free trade, economic competition, private ownership of enterprises, reduced state intervention and regulation, monetary stability with anti-inflationist policies, and foreign investments by implementing liberal economic policies that allow the "invisible hand" to meet social needs (Gwartney, Stroup, Lee, 2008:36). "The export-oriented economic policies" would be an important role for economic development in order to stimulate economic liberal policies.

However, it is important to note that "the antagonism between state and market" is not valuable for economic growth. The role of state in terms of market is to create "well-functioning markets" by providing a legal procedure and fair regulation. Good government has presented the protection of civil right in capitalistic market, whereas bad government would be the pursuit of private interest. The process of economic growth had been generated by the role of state which shows a different framework of liberal doctrine.

Accordingly, growth strategies would be the mixture between the neoliberal logic and state protection on global markets. The liberal ideology of free trade and competition was in essence necessary "in a judicious mix of protectionism and free trade". Protectionism does not guarantee development but development is very difficult in his absence (Chang, 2012:84). The model of state capitalism such as China has attained outstanding economic development by "putting into practice the mix of free market and state intervention". On the other hand, pluralistic state which emphasizes "free market and minimal state" have experienced the economic recession, while the state capitalism has attained economic growth.

However, the economic model of state corporatism rather than the pluralistic state seems to be many weaknesses. In general, state-owned companies rather than private companies may not use effective investment and create innovation. The bureaucracy of the state, which can induce corruption, may be as harmful as an omnipotent state. A strong state based on the duty of transparency and accountability can only solve the various problems including excessive debt and investment, external surpluses, banking crisis, and endemic corruption.

It will be necessary to implement selectively and slowly the policies of the NPM which is related

to deregulation and liberalization for achieving stability and growth. Markets and capital are obviously necessary which may not be sufficient condition for achieving economic growth. Also, it is worth pointing out that the state is “a provider of institutions”, “a provider of income distribution”, and “a promoter of economic growth”, but the role of state is not a sufficient condition but a necessary one for economic growth. Social and cultural conditions, including moral and virtue, is important to generate economic growth. A duty of the state is to create a fair market system in capitalism. It seems that economic development has been attained by mutual interaction between “planned economies and market economies”. The relationship between the state and private entrepreneur is not considered as “one of natural animosity”. Historically, the roles of the state and of private entrepreneur have presented the nature of complementarity and partnership (Nelson, 1993).

III. The Accountability and Transparency of State

In a broader typology of neoliberalism, neocorporatism, neostatism, and neocommunitarianism in advanced capitalist societies, the accountability and transparency of state with lower levels of corruption may, in essence, be crucial for attaining economic development.

In *The Limited Support of Corruption on Economic Growth*, Aidt et al. (2008) analyze the distinction between high quality institution and low quality institution in the study of “Governance regimes, corruption and growth: theory and evidence” using cross section data for 75 countries. The high and low quality governance of regime is estimated by the high level of “Voice and Accountability” (V&A) indicator as the indicator of governance quality, which is the source of the World Bank’s WGI data bank. Figures of more than 6 in the indicator of “Voice and Accountability” (V&A) from 0 to 10 scale is regarded as high quality governance, while figures of below 6 is considered as the low quality governance.

The empirical results suggest that there are two types of governance. In the government with high quality governance such as Australia, Canada, Germany, United Kingdom, and United states (figures of more than 6 in the indicator of “Voice and Accountability”), corruption has little negative effect on growth; while in the government with low quality governance like China, India, Argentina, and Indonesia (figures of below 6 in the indicator of “Voice and Accountability”), the estimated corruption coefficient is not statistically significant. This result is related to the view of the “grease” argument in terms of the analysis of the relationship between corruption and economic growth that “corruption greases the wheels of economic growth” in the developing countries. In relationship between corruption and economic growth, it has statistically significant negative effect on per capita GDP growth in countries with a high quality of public sector governance, while the effect of corruption on growth is not statistically significant in countries with a low quality of the governance (OECD, 2013).

Correspondingly, Campos et al. (2010) have investigated a total of 460 empirical estimates of the effect of corruption on growth from 41 different studies; 32 percent of the estimates reviewed indicate a significant and negative impact of corruption on growth, and 62 percent suggest a statistically insignificant relationship, while approximately 6 percent provide support for a positive and significant relation; the result of this research provides limited support to the view that “corruption greases the wheels of growth” (OECD, 2013:25).

Besides, table 2 presents change in corruption and GDP for G20 countries. In the period 2008 to 2011, corruption does not have a positive impact on the output of GDP in the developing countries of China, India, Indonesia, Saudi Arabia, and South Africa. Also, corruption does not have positive effect on the output of GDP in the developing countries of Argentina, China, India, Indonesia, and South Africa in the period 1996 to 2011.

〈Table 1〉 G20-Changes in Corruption and GDP

G20 country	Change in		Change in	
	corruption	output	Corruption	output
	1996 to 2011		2008 to 2011	
Argentina	-0.4	2.9	0.2	4.9
Australia	0.5	1.9	0.2	0.8
Brazil	0.5	1.9	0.4	2.5
Canada	-0.4	1.6	0.0	-0.3
China	-0.8	9.1	-0.3	9.1
France	0.5	1.1	0.3	-0.4
Germany	-0.6	1.4	-0.1	0.6
India	-0.3	5.3	-0.4	6.7
Indonesia	-0.2	2.3	-0.2	3.9
Italy	-0.7	0.3	-0.4	-1.7
Japan	0.9	0.5	0.4	-1.1
Korea	0.4	3.8	0.2	3.2
Mexico	0.2	1.6	-0.2	-0.1
Russia	0.1	4.5	0.1	0.1
Saudi Arabia	0.7	0.4	-0.5	0.5
South Africa	-1.5	1.9	-0.2	0.4
Turkey	0.7	2.5	0.0	2.2
United Kingdom	-1.2	1.5	-0.3	-1.5
United States	-0.6	1.3	-0.3	-0.6

Source: average annual growth rate of real GDP per capita, percent: IMF & OECD, 2013. Change in corruption: Worldbank, WGI corruption indicator (measured on scale 0 to 10)

However it is mentioned, in terms of the limited support of corruption on economic growth, the results of analysis are based on short-term (1996-2011 and 2008-2011) rather than the long term. It is not accurate to analyze the relationship between economic development and corruption during the short-term period. The scope of good governance is connected to the accountability and transparency of state in neoliberalism, neocorporatism, neostatism, and neocommunitarianism. As a matter of fact,

the good governance against the high level of corruption has induced the social and economic development in the process of long period. The positive relationship between good governance and economic development is tested with data for long periods rather than short time frames.

The type of neoliberalism is connected to a neoclassical analysis of the function of the state in economic and social development. The role of state is to protect individual rights, attain a lower level of corruption, eliminate obstacles for the effective mechanism of market, and recognize the demands of majority interests. Thus, the market is absolutely necessary to generate economic development. As the state maintains “stable property rights and an environment of low transaction costs”, the mechanism of market will be efficient.

The analysis of “good governance” is explicitly based on the contents of the systems rather than the form of the systems in neoliberalism, neocorporatism, neostatism, and neocommunitarianism. In other words, it is important to call attention to the need to reduce “corruption, improving property right stability, lowering expropriation risk and deepening democracy” in the formation of neoliberalism, neocorporatism, neostatism, and neocommunitarianism are preconditions for economic development.

The analysis of mainstream political theories is that apparent governance failures in developing countries come from the high level of corruption. It argues that relation between the neoclassical analysis of corruption and governance is appropriate for analyzing the condition and situation of good governance based on a model of market-driven development. The types of corruption are associated with bad governance for “explaining the success or failure of developing countries”. Although there are different economic and social policies, the construction of more effective developmental policies are necessary for sustainable reductions in corruption as the neoclassical analysis of good governance. The lower level of corruption as a type of good governance is preconditions of economic growth and development.

IV. State Governance on the Process of Economic Development and Crisis: The Case of South Korea

1. The Role of State

The growth of South Korean's economy may be achieved by the formation of state capitalism. A path of modernization and development can be attained by the capacity of state. A state agency is an important function at the industrialization of the Korean economic development which has been characterized as state capitalism, The bureaucracy of state would, to a certain extent, be the core of economic activity. The state intervenes in the market in order to promote effective investments.

The active role of state in South Korea had contributed the process of transition from underdevelopment to development which showed a different assumption from the theory of liberal economics as to how economic growth is achieved for modernization. A state capitalism, which can be recognized as one of the major factors for economic development, seems to be the opposition of the neoclassical model. State intervention in the economy is related to a planning system based on rational regulations,

The roles of the state in governing and regulating South Korea's market economy will be necessary to overcome the economic crisis. The function of statism in the earlier periods of industrialization would be requisite to achieve an outstanding average annual GDP growth. The model of the economic success of Korea can be viewed as the formation of developmental administration which shows the strong role of state with liberal economic strategy. The doctrine of neoliberal economists as the criticism of the legacy of state governance has encouraged competition and efficiency in the context of the contemporary global economy as opening the economy to global markets. The function of Korea's developmental administration in promoting and supporting continuous economic growth may be the appropriate balance of state versus market.

Many of the neoliberal reforms such as the policies of NPM (New Public Management) may be necessary but may not be sufficient for economic growth. It is at least conceivable that the function of state would inevitably be essential. The ineffective control provided by Korean state had generated critical structural imbalances and distortions in the Korean economy. The unfair corruptive system had produced the structural distortions and imbalances, as reflected by “the syndromes of business concentration, stagnant productivity, fragile corporate financial structure, and corporate bankruptcies”. The government failure of Korean state had induced the major structural cause of economic crisis.

2. The Origin and Nature of the Crisis

A significant problem would be the clientelistic state-business relationship inherited from Confucian capitalism. Under a healthy macro-economy with “a balanced budget, high savings, and a low inflation rate” in the 1997 financial crisis, the excessive investments provided by chaebols had been continued in spite of “the economic downturn and declining profits at the enterprise level”. The financial crisis could essentially be explained by both financial panic theory and moral hazard theory; the incapacity of political agents had generated “the crisis of illiquidity” in Korea indicated by the “financial panic theory”, and the “moral hazard theory” is that the excessive, irrational investment of the chaebol had produced low-profitability (Yun, 2012:247).

It is meaningful to note that a temporary illiquidity may be a main cause for the financial crisis of 1997-8 which is partly explained by the so-called “financial panic theory” (Sachs, 1997). Yun (2003:95) has argued, Feldstein (1998:24) explains that the Korean financial crisis is not similar

to that of Thailand, Indonesia, Malaysia, or the Philippines in that Korea's problem did not stem from an overvalued exchange rate and an excessive current account deficit. Feldstein has represented that Korea is "a case of temporary illiquidity rather than fundamental insolvency". Although many of the structural reforms are required in Korea, the problem was that its business and financial institutions of Korea had incurred short-term foreign debts that far exceeded Korea's foreign exchange assets in mid-1997 (Feldstein, 1998:24). Also, Sachs (1997:11) has claimed that "there is no fundamental reason for Asia's financial calamity except financial panic itself". According to the "financial panic theory", an excessive short-term debt in Korea was a crucial factor for the financial crisis. Asia's need for significant financial sector reform is real, but not a sufficient cause for the panic, and Asia is reeling not from a crisis of fundamentals, but from a self-fulfilling withdrawal of short-term loans (Sachs, 1997:11). "Asia fundamentals are adequate to forestall an economic contraction: budgets are in balance or surplus, inflation is low, private saving rates are high, economies are poised for export growth" (Sachs, 1997:11).

Also, "A low trust society" is thus caused by moral hazard, while a high trust society is usually regarded as being characterized by accountability, integrity, and transparency. Consequently, the attainment of a high trust society depends on the economic system of fairness and justice, which can solve the structural matter of the international or domestic financial market system; the essential principles of transparency, accountability, and integrity have contributed to the prevention of the recurrence of a financial crisis (Yun, 2012:247). Thus, it appears that the "moral hazard theory" is regarded as the cause of the financial crisis.

The strategy of economic development was industrialization via export promotion. The effective role of the state was the allocation of financial resources. The clientelistic and symbiotic relationship between the state and the chaebols may be regarded as the kind of centralized economic systems as a type of "crony capitalism". The Korean value system has received the influence of a corporate culture which can be defined as clientelism and cronyism with familism against any formal and legal rules. Chaebols such as Samsung, LG, Hyundai and SK were the chief partners of the government in implementing the strategy of economic growth through the kind of "guided capitalism". The chaebols, "business conglomerates owned by family members", had cooperated with the government in the process of economic development which is "a strong supporter of their business through state-guaranteed loans".

Even if the role of the chaebols which had privileged access to government-subsidized credit is vital for export success and rapid economic growth, business clientelism was a major reason of the economic crisis with the problem of financial systems based on Korea's highly centralized banking system. The policy of financial liberalization without a fully advanced financial system is not successful in the developing countries, such as the case of South Korea in 1990s. Korea's liberalization measures in the late 1980s and the 1990s were not controlled by "the supervisory

and disclosure framework” with frequent political interventions. The function of the effective bureaucracy as the reasonable role of state was not operative in the pursuit of the policy of financial liberalization. Foreign capital inflows were increased by joining the OECD in 1996 and opening its financial market. The inflow of the foreign capital of short-term maturity by the domestic merchant and commercial banks was increased with the expansion of the external debt “from \$42 billion in 1992 to \$157 billion in November 1997”. Consequently, the latest economic crisis is originated by “the weaknesses in Korea’s corporate and financial systems” rather than macroeconomic imbalances. The major reason of economic crisis would, to a greater extent, be poor governance of the economy. In retrospect, the complacency and misguided management of Korean policy makers had generated the outbreak of the crisis in 1997 with the lack of watchful and preventive measures.

3. The Implication of Policy

The model of economic development in the Korean case can be the policy of liberalization and the autonomy of state in the operation of market. First of all, financial liberalization without the rational supervision of government can generate devastating economic recession in the global market system. “Financial liberalization without adequate regulatory institutions” can be counterproductive unless the country already has an autonomous and sound financial system. In essence, the basic cause of the Korean economic crisis may be seen as originating from the internal factors rather than external forces. The strategy of economic development would be the liberalization of capital market with a fair financial system provided by state. The adoption of liberalization’s policy should thus be gradual and prudential in the condition and situation of the absence of the integrity of domestic financial system.

It seems apparent that the proper intervention of state in terms of market, which may operate as a mechanism to generate economic growth and to protect monopolistic corporate system, will be necessary. The strategy of market liberalization will be successful by democratic state governance through the transparency and accountability of governance with monitoring and regulating market system. The success of liberalized market economy can be attained by human resources and intellectual capital provided by the role of government.

The economic development can lead to fundamental structural changes in a social, economic, and political condition and situation. After the economic growth, reforms in labor, business, and government must be implemented to decrease the intervention of state. For developing state, there is necessary to build strong state which represents the high level of social support and state autonomy. As Fukuyama (2004) has argued, from the economists’ standpoint, the optimal system combines a limited scope for state functions with strong institutional effectiveness, but economic

efficiency is not, of course, the only reason for preferring a given scope of state functions; many advanced European countries may be regarded as the formation of an expanded scope for state functions for social justice with strong institutional effectiveness (Fukuyama 2004:23-24). On the other hand, the worst formation is the role of an ineffective state based on the lower level of transparency, accountability, and bureaucratic quality with a limited scope for state functions; this is exactly where a large number of developing countries are to be found (Fukuyama 2004:24). Consequently, the effective role of strong state can generate the process of economic growth and development in developing countries.

V. The Effect of Sociological and Historical Institutionalism in Forming State Corporatism with the Capacity of Strong State

It is usually said that Korea is the formation of state corporatism, the United States is the paradigm of a pluralist democracy, and Western European countries might be regarded as the sort of social corporatism. Accordingly, different culture has contributed to form different administrative systems including pluralism, social corporatism, and state corporatism. The formed process of state capitalism in Korea can be explained by the theories of historical and sociological institutionalism as the concept of new institutionalism.

The theory of new institutionalism involves historical institutionalism, rational choice institutionalism, and sociological institutionalism. Historical institutionalism is related to structural-functionalism which emphasized structuralism rather than functionalism. Rational choice institutionalism¹⁾ is related to the doctrine of Western liberalism in the study of reasonable human behavior. Sociological institutionalism is connected to a diverse sets of practices associated with culture.

In historical institutionalism, the pattern of institutional formation has been influenced by historical heritage and tradition. Institution can be formed by the influence of historical informal and formal process. An important concept of historical institution is path dependency. Historical institutionalism: (1) conceptualizes the relationship between institutions and individual behavior in

1) In rational choice institutionalism, logics as reasonable action and behavior are involved in the institutions, the precondition of rational choice institution is that the behavior of human being is basically rational. Rational choice institutionalist tries to understand the reasonable behavior and action, while historical institutionalist, in contrast, wants to recognize historical and traditional condition and situation. To a great extent, a deductive model of science can be used by rational choice institutionalism, while an inductive scientific method may be applied by historical institutionalism. Rational choice institutionalism: (1) employs a characteristic set of behavioral assumptions; (2) sees politics as a series of collective action dilemmas; (3) emphasizes the role of strategic interaction in the determination of political outcomes; institutions created through voluntary agreements by relevant actors which are functionalist, intentionalist, and voluntarist approach (Hall and Taylor, 1996).

relatively broad terms; (2) emphasizes the asymmetries of power associated with the operation and development of institutions; (3) has a view of institutional development that emphasizes path dependence and unintended consequences; and (4) is especially concerned to integrate institutional analysis (Hall and Taylor, 1996).

In sociological institutionalism, social structure “consists of the norms, rules, identities and logics that prescribe action” (Finnemore 1999). Analytically, social structure has been formed by culture, and the behavior of agent would be influenced by social structure. Ultimately, the behavior of agent may be explained by institutions which are influenced by cultural factors. The sociological approach falls on the structural or holist side of the structure-agent debate (Finnemore 1999:333). Sociological institutionalism: (1) tends to define that institutions include not only formal rules, procedures and norms, but also the symbol systems, cognitive scripts, and moral templates that provide the frames of guiding human action; (2) has a distinctive understanding of the relationship between institutions and individual action, which follows the cultural approach; (3) organizations embrace specific institutional forms or practices which are widely valued within a broader cultural environment (Hall and Taylor, 1996).

It can also be argued that historical institutionalism combines the historical and cultural approaches, but it has devoted less attention to developing a sophisticated understanding of how institutions affect behavior (Hall and Taylor, 1996), while rational choice institutionalism has developed the analysis of micro-level processes based on the rational concept of human activity without structural analysis. Sociological institutionalism highlights cultural factors which explain the formed process of institution at the macro-level processes as cultural conception.

The sociological and historical institutionalism had, to a great extent, influenced to form the political system of the state corporatism in Korea. The Korean state has, on the whole, been influenced by Confucian culture, and the Korean Confucian administrative system did not establish a liberal institutional mechanism generated by civil society; western-style civil society and voluntary association did not play a major role in establishing the structure of capitalism in Korea, whose capitalism had been organized by the government and bureaucracy (Yun, 2006:510). In Korea, the government had formed Confucian capitalism rather than competitive capitalistic market, which was the growth of bourgeoisie supported by the government for capital accumulation with the absence of the development of a civil society. The power of the government was, therefore, a vital component in Confucian capitalism and the capacity of the state was, as a matter of fact, an important factor on the process of the decision-making and implementation of policy.

It is quite understandable that the administrative culture of Korea has been marked by the domination of a bureaucratic government over society; the essential factors of the inherited historical tradition involving historical religions, values and customs established the authoritarian characteristics of the administrative system, and the administrative culture of conventional

Confucian-based thought was a hierarchical relation between the elite and the masses such that administrative power flowed downwards from one to the other (Yun, 2006:510). It is mentioned that conventional Confucianism shows a hierarchical relationship between the government and citizens based on an authoritarian administrative system.

In the traditional society of Korea, the earliest socialization process had been dominated by traditional attitudes toward authority as the formation of authoritarian administrative culture; the socialization process guided by the authoritarian regimes had provided the values which endorsed authority, and the basic traditional administrative culture, thought and condition had contributed to the formation of authoritarian administrative culture (Yun, 2009). Traditional Confucian administrative culture, which had played an important role during the succession of authoritarian regimes, regulates the modes of the social life of people and represents the pattern of people's behavior, but under new liberal values and ideology, traditional authoritarian administrative culture can be transformed into a new administrative culture, as seen in South Korea, and Confucian culture has constantly been transformed by the process of social change in order to form state corporatism. (Yun, 2009).

Sociological and historical institutionalism has adapted a method of the following effectual assumptions in terms of cultural analysis²⁾; (1) cultural transformation, which is based on the interaction of different cultures, will be attained by the dialectical interplay between traditional and exotic culture in the process of globalization, (2) cultural behavior does not results only from individual mental events, which can be described by both individual psychological elements like belief or feeling and collective factors such as ideology derived from historical doctrine or custom originated from traditional culture, (3) a culture is not disconnected from economics and politics in the sense that social phenomena are the result of mutual interacted relations entangled in the domain of culture, history, and economics together (Yun, 2006:916). An intention to understand the doctrine of sociological and historical institutionalism which is significant to understand in forming state capitalism may begin with the assumptions.

Recent studies of patterns of economic growth suggest that the role of state based the formation of state capitalism is an important in economic growth and development (Kohli 2004). State-building, which focuses on intensifying the efficiency of state interventions in the market and society, is useful for economic development. A strong and effective state that intervened in the market has a positive overall effect on growth (Fukuyama 2004). As the state has become weaker, less efficient and more

2) Building on the distinction between the scope and strength of a state, the supply question is composed of four aspects "(1) organizational design and management, (2) political system design, (3) basis of legitimization, and (4) cultural and structural factors" (Fukuyama, 2004:31). Fukuyama argues that, of the four aspects, the first (organizational design and management) is the easiest to transfer; it comprises knowledge can be expressed formally. The respective transferability of the second, third and fourth aspects are "medium", "medium to low", and "low"; they are embedded in ways of knowing that are difficult to formalize, and hence to transfer (Fukuyama, 2004).

corrupt, the process of development will not be possible with economic inequality and the concentration of wealth which reinforces the public's distrust of the state (Fukuyama, 2014). Political accountability, a strong effective state, and the rule of law are necessary in the liberal democracy.

Authoritarianism without free media and an active civil society is likely to induce state weakness, which has opportunities to make use of corruption, clientelism and predation (Fukuyama, 2014). Fukuyama's argument is used to illustrate the interaction of democracy and state building. The United States had a weak, corrupt and patrimonial state through the 19th century. From the end of the 19th to the middle of the 20th century, however, the American state was transformed into a strong and effective independent actor, first by the Progressives and then by the New Deal. This change was driven by a social revolution generated by industrialization, which rejects the old clientelist system. The American example shows that democracies can indeed build strong states (Fukuyama, 2014). Lack of state capacity including the role of weak and incompetent government with the high level of corruption in poor countries has induced the process of underdevelopment. As Fukuyama (2004) has argued, the notion of "building up, rather than limiting or cutting back the state" is required to achieve a strong state, which may be regarded as the high level of state capacity including the performance of effective government institutions for public interest. Consequently, the argument in terms of the scope of state between small government and big state is not significant, but the function of strong state is crucial in the big or small government.

VI. Conclusion

The entire system of economy in the process of economic development in Korea was managed by the state. An active role and function of a well-managed state had contributed to the development of industrialization in the early stage of industrialization. The operation of market system is also necessary as an instrument in achieving the process of economic development. In a word, it must be noted that the mixture function of state and market is, in essence, necessary.

Although the developmental-state role played by the government would be important in a short term (Amsden 1989; Chang 1993; Wade 1995), but, in a long term, the role of state based on the lack of transparency and accountability had generated the ineffective policy which led eventually to the financial turmoil in 1997 in Korea. The state which shows the high level of transparency and accountability makes an important role to play in economic growth. The role and function played by the state may be necessary for promoting economic growth. State capitalism would be a strategy for the modernization and industrialization of a country. State intervention in economy by influencing bank loans, protecting domestic companies through import taxes, state aid and state ownership of important sectors of the economy would be a recipe for developing economies

(Schuman, 2002).

In the view of neo-statism, it is the goal of policy to promote economic growth through the process of competition and cooperation based on the mutual interests of government and the market. Likewise, new Institutionalism is based on the relationship of the network of government institutions and private companies. Therefore, this paper analyzes the doctrine of historical and sociological institutionalism which exerts an influence in forming state capitalism: historical Institutionalism based on path dependence, and sociological Institutionalism related to the importance of culture. The two types of new institutionalism have, on the whole, contributed to the formation of state capitalism in Korea. Consequently, it may be appropriate to point out that the doctrines of neo-statism and new institutionalism had, to a great extent, exerted an influence in forming state capitalism. The doctrine of neo-statism and new institutionalism can explain the process of economic growth and development in Korea. These strategies for promoting economic development in Korea have emphasized the formation of the networks of political, economic, and social institutions to provide the process of social and economic development through the mutual interaction of government and market.

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국문요약

사회학적·역사적 제도주의의 영향에 근거한 한국의 발전행정 : 시장과 국가의 기능을 중심으로

윤 은 기

국가의 발전과정에서 사회와 경제 발전을 위해 시장에 대한 정부의 간섭은 인적 자원의 역할과 기능으로 간주될 수 있다. 발전과정에서 시장의 기능과 정부의 역할의 균형적인 상호적인 작용은 요구될 수 있는데, 개발도상국은 선진국과 같이 공정한 시장시스템의 기능이 미흡하다는 관점에서 공정한 시장 질서와 체제를 위해 시장 시스템에 정부의 간섭과 규제가 요구될 수 있다. 한국의 경제성장과 산업화의 과정에서 정부의 역할은 중요하였고, 시장과 정부의 균형적인 상호작용과 기능에 의해 발전을 달성하였다. 이와 같이, 개발도상국 국가의 발전과정은 전통적 행정학과 신공공 관리론의 이분법적인 원칙에 의해 설명될 수 없고 정부와 시장의 상호작용의 역할에 의해 분석될 수 있을 것이다. 보편적으로, 자유주의, 조합주의, 국가주의, 공동체주의 형태의 국가들에서 정부 정책의 차이가 상존하는 이유는 역사적 제도주의와 사회학적 제도주의의 이론들에 의해 설명될 수 있을 것이다.

주제어: 시장과 국가, 역사적 제도주의, 사회학적 제도주의