



**In Between the Growth Economy and
State Welfare in East Asia:
Refuting the Developmental Welfare System Theory
of East Asia's State Welfare**


Soon-yang Kim

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“In Between the Growth Economy and State Welfare in East Asia:
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The East Asia Institute
#909 Sampoong B/D, Euljiro 158
Jung-gu, Seoul 04548
Republic of Korea
Tel. 82 2 2277 1683
Fax 82 2 2277 1697



In Between the Growth Economy and State Welfare in East Asia: Refuting the Developmental Welfare System Theory of East Asia's State Welfare

Soon-yang Kim
Yeungnam University
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Abstract

The purpose of this article is to re-examine the Western perspective on the relationship between East Asia's growth economy and the underdevelopment of state welfare, by analyzing the Korean case between the 1960s and the 1980s, when active governmental intervention in the economy led to the accomplishment of rapid economic growth. This article aims to answer the questions: "Was state welfare genuinely underdeveloped under the growth economy?" "If so, which factors hindered its development?"

To this end, this article first refutes the contentions of the Developmental Welfare System (hereinafter, DWS) theory regarding the underdevelopment of state welfare in East Asian growth economies, through an empirical analyses of the following: overlooking the diverse variables or indices in measuring the level of state welfare, international comparison without considering different budget systems, inattention to contextual differences, overemphasis on the input aspect and negligence of the output aspect, giving undue value to quantitative methods, and paying little attention to welfare beneficiaries aspect. The following chapter traces the reasons why the Korean growth economy experienced underdevelopment of state welfare using comprehensive frameworks: a large-scale resource distribution to defense and education, a low level of electoral competition, the underdevelopment of socialist or progressive political parties, political authoritarianism and a weak opposition, a lack of social citizenship and the preservation of family values, the underdevelopment of trade unionism, and inactivation of civil society. This article concludes with constructive criticism on the limitations of the DWS in comprehensively grasping the reality of state welfare under the East Asian growth economy.



Introduction

During the period of economic growth in East Asian countries, including South Korea (hereinafter, Korea), the government preferentially allocated scarce resources to economic and industrial policies. The government played a pivotal role in the process of propelling economic development, mapping out development plans, selectively distributing foreign loans and policy funds, and even coordinating production items between private enterprises. C. Johnson (1982) coined this type of East Asian country as “developmental state” (hereinafter, DS).

Developmental welfare system (DWS) theorists grafted the idea of the DS upon the discipline of social welfare. The key contention of the DWS, among others, is that state welfare was underdeveloped in East Asian growth economies, as scarce resources were preferentially input into economic and industrial policies (Lee and Ku, 2007). The DWS attributes the underdevelopment of state welfare in East Asia to this prioritization of resources. Social welfare was marginalized during the period when resources and accumulated capital were scarce. Many scholars in East Asia as well as the West concur with this contention (Chung, 2015).

However, while the DWS clearly highlights the causes of the underdevelopment of state welfare in East Asian growth economies, it leaves some questions that must be given more attention. It neglects to consider the different situations that individual countries confronted during the period of economic growth, by treating them as a single bundle. Moreover, the DWS judges the underdevelopment of state welfare by evaluating a single facet of welfare expenditure, failing to grasp the comprehensive nature of the advancement or delay of state welfare. Further, the DWS places undue value on the economic interpretation of welfare development. In reality, the factors that influence welfare development are diverse and complicated.

Against this backdrop, the purpose of this article is to re-examine the Western perspective on the relationship between East Asia’s growth economy and the underdevelopment of state welfare, by analyzing the Korean case between the 1960s and the 1980s, when the active governmental intervention in the economy led to the accomplishment of rapid economic growth. This article aims to answer the questions: “Was state welfare genuinely underdeveloped during the period of growth economy in East Asia?” “If so, which factors hindered its development?”

To this end, this article first debates the theories relating to the East Asian developmental state, the relationship between the DS and state welfare, and the theory of the DWS regarding the underdevelopment of state welfare under the growth economy in East Asia. The next chapter refutes the contentions of the DWS, regarding the underdevelopment of state welfare in East Asian growth economies, through an empirical analysis of the realities of state welfare in Korea. The following chapter traces the reasons why East Asian growth economies experienced the underdevelopment of state welfare using comprehensive frameworks and diverse angles. This article concludes with constructive criticism on the limitations of the DWS in comprehensively grasping the reality of state welfare under the growth economy.



Theoretical Underpinning

State Welfare in East Asian Growth Economies

The concept of ‘the developmental state’ is widely used to portray East Asian growth economies. The DS is a state that actively intervenes in the management of the economy and industry through capable and efficient bureaucracies, in order to achieve its primary goal of economic growth and industrialization (Johnson, 1999). The term was conceived by C. Johnson (1982) in order to explain the “plan-rational interventional state” in East Asia, as a third type state differentiated from the “market-rational regulatory state” in Western countries and the “plan-ideological state” of socialist countries. It was first used to explain the government-led economic growth of Japan, but it became popular in explaining the growth economy of late industrializers in East Asia – Korea, Taiwan, Hong Kong, and Singapore (Woo-Cumings, 1999). The interventionist state in East Asia placed the highest priority on economic growth and preferentially distributed the country’s scarce resources to economic and industrial policies, neglecting social and welfare policies.

The DS enjoys high-level autonomy from the private sector and formulates a hierarchical developmental coalition with the commercial and financial sectors. The crucial mechanism allowing the DS intervention in the market is a competent and well-organized bureaucracy, which explains why the DS consistently recruits competent personnel and makes pilot agencies command the process of economic growth. Under the DS, policies that do not fall within the purview of furthering the economy and industry play an auxiliary role in achieving the nation’s goal of economic growth (Chang, 2004). The DS understood social welfare as conflictual with economic growth, and alleged that income maintenance for the poor weakens their motivation to work, while welfare expenditure diminishes the government’s capacity for economic growth. The DS was concerned that social welfare would impede the country’s growth potential, and therefore, social welfare was deemed to be delayed during the period of economic growth.

Meanwhile, various theoretical perspectives argue the underdevelopment of state welfare in East Asian growth economies. These include the theories of the Confucian welfare state, productivist welfare capitalism, the developmental welfare regime, and welfare developmentalism. However, with the exception of the Confucian welfare state theory which adopts a cultural deterministic approach (Jones, 1993), the general contentions of each theory are similar, although they employ different terminology. They advocate a state-centric perspective that emphasizes the active role of the state, and acknowledge the subordinate role of social welfare during the period wherein economic growth was the state’s core goal. Consequently, state welfare became underdeveloped.

Confucian welfare state theory, conceived by C. Jones (1993), enumerates conservative corporatism excluding laborers, the principle of complementation without the church, solidarity without equality, and the welfare state based on familyism as the characteristics of the Confucianism-based East Asian welfare system. According to this theory, informal and voluntary



welfare was pivotal in East Asia, retarding the development of state welfare. In response to this allegation, White and Goodman (1998) and Walker and Wong (2005) offer the criticism that the theory's cultural approach fails to explain the increasing role of the state in East Asia. They also allege that the influence of Confucian tradition was not uniform among East Asian countries.

Meanwhile, since the mid-1990s, studies have interpreted social welfare under the DS from a state-centric perspective. Holliday (2005) created the term “productivist welfare capitalism” to describe the East Asian welfare system under the DS and listed it as the fourth type of welfare system next to Esping-Anderson's (1990) three welfare system typologies of liberalism, conservatism, and social democracy. According to Holliday, the East Asian welfare system took a different path from that of Western countries, developing a welfare policy emphasizing productive working strata. Productivist welfare capitalism is characterized by the existence of a growth-oriented state, the subordination of welfare policy to economic policy, and the minimization of social rights. Accordingly, welfare policy is constrained by economic and industrial policies, lacking its own logic of development.

Kwon (2005) used the term “developmental welfare state” to explicate how welfare policy is structurally constrained to facilitate economic growth in East Asia. In this type of welfare state, certain welfare policies, such as healthcare and education, developed even under the DS, whereas cash welfare lagged. Kwon et al. (2009) introduced the term “welfare developmentalism” to understand the subordination of welfare to economic growth under the DS, but this concept is not different from the existing perspectives on the delayed development of welfare in East Asia. However, among various competing terms, the term “developmental welfare system” is widely utilized to describe the welfare system in East Asian growth economies.

The Developmental Welfare System

Late industrializers in East Asia pursued rapid economic growth in a short period between the 1960s and the 1980s through the government's active intervention in the economy. These countries were deficient in natural resources and possessed limited internal markets. Moreover, they faced political and military intimidation from communist countries or nascent strong powers (Kim S., 2008). Accordingly, economic growth and industrialization were indispensable for their very existence.

Meanwhile, strategic and selective allocation of scarce resources was required to achieve economic growth within their unstable economic and geographical environments (Choi D., 1992). Top priority was given to economic and industrial policies, thereby limiting allocation to other areas, particularly welfare policy. East Asia's late industrializers held off excessive demands for welfare and distribution by pressuring or incentivizing the private sector. Among the DWS's diverse contentions characterizing the welfare system under the East Asian growth economy (Aspalter, 2006; Lee and Ku, 2007; Yang, 2017), the core claim is that state welfare is underdeveloped or delayed in East Asia under the state-led growth economy, mainly because scarce resources should be distributed to economic growth preferentially. This is largely due to



the incapability of East Asia's late industrializers to allocate state funds towards welfare policy, when the minuscule amount of accumulated capital should be selectively distributed towards economic growth (Lee and Ku, 2007). Accordingly, they adopted an economic growth-first policy, naturally neglecting welfare policy. To assert this allegation, the DWS references welfare expenditure in each country, with a particular focus on welfare expenditure as a proportion of GDP (Kim S., 2012). The DWS furthered its explanatory persuasiveness by contrasting East Asia's lagging welfare with the welfare advancement in the West.

Under this major contention, the DWS regards the slight existence of state welfare under the growth economy as an instrument of economic and industrial policies (Hort and Kuhnle, 2000). Welfare policy does not function as an end goal in itself, but rather acts as a subsidiary to support economic growth. Welfare policy should facilitate capital accumulation, protect and promote labor forces, and support industrial policies by reducing the social security costs of companies. The DWS also contends the spillover effect of economic growth into welfare policy (Beeson, 2004). To the DWS, economic growth and distribution are not at odds but interlocked with each other. When economic growth is first achieved, the matter of distribution can be naturally solved through job creation and income maintenance (Broadbent et al., 2006). Further, according to the DWS, the coverage of state welfare is limited to a small number of people, because the growth economy in its initial stage cannot provide universal coverage owing to severely restricted accumulated capital. However, this does not necessarily mean that the disadvantaged are prioritized. Rather, welfare coverage can prioritize the backbone strata of economic growth, such as industrial laborers, as the Bismarckian social security system did in the late 19th century (Kangas and Palme, 2005).

Was State Welfare Genuinely Underdeveloped in East Asian Growth Economies?

The DWS's key contention is quite clear and simple: state welfare was underdeveloped in East Asian growth economies due to the preferential distribution of scarce resources to economic and industrial policies. Indices used to evaluate the degree of welfare underdevelopment were the amount of public welfare expenditure or the ratio of welfare expenditure to GDP or the overall government budget. The DWS contends that total expenditure on welfare is low and the rate of welfare expenditure to GDP or the national budget is much lower compared to those of Western developed countries (Kwon et al., 2009; Lee and Ku, 2007). This was because the growth economy placed an exclusive priority on economic growth.

In Korea, between the 1960s and the 1980s, welfare expenditure was minuscule in terms of the total amount allocated as well as the ratio of welfare expenditure to GDP when the country propelled industrialization through state intervention in the economy. Welfare expenditure was



minimal when compared to the expenditure on economic and industrial policies (Kim S., 2008). Meanwhile, economic growth was very high during this period. Following the promulgation of five-year economic development plan in 1962, the average economic growth rate recorded 9.67 percent in the 1960s, and the total GDP increased from 2.3 billion dollars in 1962 to 8.1 billion dollars in 1970. Total exports increased 14.2 times during this period (from 54.8 million dollars in 1962 to 835.2 million dollars in 1970). South Korea's economic performance in the 1970s was marvelous: GDP increased from 8.1 billion dollars in 1970 to 62.7 billion dollars in 1979 and per capita GDP rose from \$253 in 1970 to \$1,647 in 1979. The average economic growth rate was 8.5 percent (Seol B., 2006; Statistics Korea, 1998). The Park government successfully shifted the focus of the country's economic development strategy in 1973 from light industry to heavy and chemical industry (Pirie, 2008). In the early 1980s, although Korea briefly experienced economic difficulties due to political instability and a global economic recession, economic growth continued under the Chun Doo-hwan government (1981-1987). The economic growth rate averaged 9.09 percent under the Chun government, and per capita GDP increased from \$1,597 in 1980 to \$3,218 in 1987, while exports increased \$17.5 billion USD to \$47.3 billion USD during the same period (Statistics Korea, 1998). However, welfare expenditure lagged far behind in all the indices where longitudinal comparison is possible, including raw amount, ratio and growth rate. In this respect, the DWS's contention mentioning that welfare development was delayed under the growth economy has considerable persuasive power. However, while partially admitting the DWS's contention, it is necessary to re-examine the relevance of the contention in terms of the following aspects.

Overlooking Diverse Variables and Indices in Measuring the Level of State Welfare

While it is acceptable to use the total volume of welfare expenditure or the ratio of welfare expenditure to GDP as indices to measure the degree of development of state welfare in East Asian growth economies, the DWS places a disproportionate amount of weight on quantitative indices. In practice, welfare expenditure is just one dimension that can be used to measure the welfare level of a country (Kim S., 2012). Other indices, such as the advancement of welfare institutionalization, the increase of welfare organizations and personnel, and the expansion of welfare coverage and beneficiaries, can also be counted (Kim Y., 2017). These can take different paths from welfare expenditure. In Korea, while the total volume of welfare expenditure was small under the growth economy, welfare institutionalization greatly advanced during the same period. Numerous welfare-related laws and institutions were established during the transitional period of regime change in the 1960s and the 1980s. However, while many welfare institutions had been introduced by the 1970s, some of them proved ineffectual or their implementation was postponed. The implementation of important welfare legislation, such as the Seamen Insurance Act, the Medical Insurance Act, the Livelihood Protection Act, and the Child Welfare Act, was postponed in the 1960s, and the National Welfare Pension Scheme of 1973 was suspended indefinitely. This was due to the lack of willingness of policy makers, financial incapability, and the unrealistic



scope of the legislation. Welfare institutionalization continued to advance throughout the 1980s. Major welfare institutions and regulations, with the exception of the Employment Insurance Act of 1995, were established between the 1960s and the 1980s in Korea (Hwang, 2006).

Welfare organizations and personnel are also important indices. Although they tend to expand proportionately alongside increases in welfare expenditure, this is not always necessarily the case. They are also tied to expansions of welfare services. In Korea, welfare organizations, departments, and staff consistently increased and differentiated, irrespective of welfare expenditure. Further, semi-governmental agencies, such as the Medical Insurance Corporation and the National Pension Insurance Corporation, and their staff also continued to expand. However, the budgets of these agencies are not included as part of the country's formal welfare expenditure, as they are managed separately from the national budget system (Kim S., 2012).

The degree of coverage and number of beneficiaries of state welfare also saw ongoing increases under the growth economy. Like Western countries, Korea also shifted its welfare coverage from selective towards universal. Until the 1970s, welfare beneficiaries were limited to the destitute, employees of large companies, and special occupational groups such as public servants, career soldiers, and private school teachers (Yang J., 2017). In the 1980s, welfare coverage was extended to employees in small companies, farmers and seamen as well as the socially disadvantaged, as the Chun government clearly emphasized the "building of welfare society" as the bedrock of economic and social development (Heo and Roehrig, 2011).

International Comparison without Considering Differences in Budget Systems

The next debate is related to the relevance of international comparison of welfare expenditure between countries that have differences in the structure, category, and system of their government budgets. This debate is important for the following three reasons. The first point is how the scope of welfare and welfare expenditure are set. Currently, the concept of '(social) welfare' is utilized in a broad and poly-semantic manner. The reference range of welfare fluctuates according academic disciplines, political ideologies, and each country's stage of economic development (Stern and Axinn, 2017). Naturally, we are prone to committing the fallacy of comparing different things using the same standard. In Korea, the scope of welfare has changed throughout different periods, and the welfare budget has been diffused among various government ministries and departments. Moreover, the jurisdiction of these departments has often changed in line with government restructuring. Accordingly, it is difficult to conduct a longitudinal comparison of the degree of welfare expenditure between countries and even within the same country.

The second point concerns the reliability of statistical data on welfare expenditure. In Korea, statistics were poorly computerized until the 1980s and welfare-related data was inconsistent even among government agencies such as the Bank of Korea, welfare departments, and budget departments (Kim S., 2012). Thus, data was recorded inconsistently across time.

The third issue relates to the differences in the budgetary system of each country. When we compare levels of welfare expenditure between countries, we must consider the items, classification



system, and special accounts budget of the national budget system. However, the DWS tends to evaluate the level of welfare expenditure by referencing the general accounts of the central government, thus forgoing the totality of the government budget. Specifically, the DWS counts welfare expenditure by evaluating the total amount spent and neglecting the sub-categories of the budget. It is unreasonable to a welfare system by simply viewing the total budget allocation, as a large amount of welfare expenditure is distributed to administrative expenses and does not guarantee a corresponding degree of welfare quality. Accordingly, it is important to understand differences in the budgetary structure of each country before conducting a comparison. We can properly understand the level of public expenditure after considering special accounts and accounting for public enterprises. In general, special accounts in developing countries are larger when compared to developed countries where the parliament exerts greater power over budgetary deliberation. This is in order to evade parliamentary control over budget items (McCombie and Thirlwall, 2016). The power of public enterprises is also larger in developing countries. In Korea, a great deal of welfare expenditure occurs within public enterprises or public corporations such as the National Pension Service and the National Health Insurance Corporation. However, their budgets are managed separately from government welfare expenditure. Further, central government budget scopes fluctuate between countries according to the degree of local autonomy and decentralization of each country. It is generally the case that countries with a higher level of local autonomy and decentralization spend more at the local government level (Psycharis et al., 2016). Thus, although we can admit that state welfare was generally underdeveloped under the East Asian growth economy, there is a limitation to the certainty with which we may allege such a claim, when the scope of budgetary items, the government budget system, and the reliability of welfare statistics are inconsistent between countries.

Inattention to Contextual Differences and the Possibility of Western-centrism

Another argument against the DWS pertains to the reference standard used to evaluate the underdevelopment of state welfare. The standard is prone to Western-centric prejudice and devalues the level of East Asian by referencing Western countries with different levels of economic and social development. This contextual difference must be taken into account when comparing different countries. For example, Western countries with relatively older populations had to allocate a greater amount of their budget for elderly welfare even in the 1980s (Stern and Axinn, 2017). It might be more relevant to compare the level of welfare expenditure of East Asian countries at that time with developing countries at similar economic levels that lacked state intervention in their economies. Comparing the level of state welfare between East Asian growth economies and relatively developed Western countries seems unrealistic (Mishra, 2014). Even among Western countries, there are large variations in the level of state welfare between Western European countries that place a higher emphasis on collectivism and North American countries that have stronger individualistic tendencies. Comparing countries with differing contexts and levels of development is vulnerable to skewed judgment based on Western-centric bias. It may be more



accurate and informative to assess the level of state welfare through a time-series longitudinal comparison within the same country or a cross-cultural comparison between countries with similar levels of economic development.

Overemphasis on Input and Negligence of Output

The DWS places its focus on input, i.e. welfare expenditure, and neglects the output aspect of state welfare. A large quantity of welfare expenditure does not necessarily guarantee high quality welfare, since input does not yield a consistent output ratio. The resulting outputs of welfare expenditure, such as wealth distribution and social equity, should be duly considered. Such metrics as a country's Gini coefficient, the percentile of income distribution, and the wage gap by academic background or gender should be included in assessments of the welfare level of countries. Western countries also experience slowdowns and obstacles in income distribution and degradation in the quality of welfare services, despite consistent increases in welfare expenditure (Forrest and Murie, 2014). If funds are wasted through inefficient management, they will reduce the quality of welfare provision. Accordingly, Western welfare states have worked to expand private sector welfare in line with the trends of neo-liberalism and welfare pluralism. For example, the British Thatcher government pursued policies to privatize welfare and medical services, reduce the welfare budget, promote private education, and increase co-insurance rates under the ideology of anti-collectivism (Hamnett, 2014), and the United States enacted policies to reduce public assistance, restrict eligibility for welfare benefits, and transfer federal welfare programs to state governments (Plant and Hoover, 2014).

In sum, while using expenditure as a metric simplifying the process of comparison, we cannot judge the welfare level of country simply focusing on the input factor. We must develop a comprehensive and systematic perspective that incorporates input, process, and outputs, in order to holistically evaluate welfare systems.

Placing Undue Emphasis on Quantitative Metrics

The DWS depends primarily on quantitative indices to measure state welfare. Among various indices, welfare expenditure is the easiest index to quantify. Even though it is possible for numerical values themselves to be inaccurate, it is undeniable that welfare expenditure is one of the most objective indices that can be used to produce statistics and make comparisons. Accordingly, a great majority of research seeking to compare welfare levels and identify influencing factors in welfare development utilize welfare expenditure as an index. However, welfare levels cannot be accurately evaluated by relying solely on quantitative methods. Even though private resources, such as volunteering and donation, are not counted as part of public welfare expenditure, they are a critical input in welfare services. The quality of welfare services and programs, as well as the satisfaction of welfare beneficiaries and ease of accessing services, is as important as quantitative indices in measuring welfare levels (DiNitto and Johnson, 2015). In



the same vein, qualitative principles, such as accessibility, integration, and linkage, are considered to be as important as quantitative indices in evaluating welfare service delivery systems. Although we inevitably attach weight to quantitative indices, it is vital to acknowledge their limitations in mapping out a complete picture of welfare levels.

Paying Little Attention to Welfare Beneficiaries

The DWS attaches excessive importance to the supply side of welfare expenditure, ignoring the aspect of welfare beneficiaries. The ultimate goal of welfare policy is to supply sufficient and satisfactory services to the general population or specified beneficiaries (Stern and Axinn, 2017). Measuring welfare levels by evaluating welfare expenditure is to regard welfare from the viewpoint of the supplier. Even if welfare services are sufficient, a state's welfare level cannot be evaluated highly if services are delivered to irrelevant targets. Moreover, the priority of welfare eligibility should be counted as significant factor in the provision of welfare services, and placing the sole focus on welfare expenditure fails to consider this matter of priority. Theoretically, welfare services should be prioritized and granted to the neediest, but even in Western countries, state welfare has given priority to workers in large companies with relatively stable employment (Thane, 2016). In Korea, state welfare, particularly social insurance, has been preferentially applied to special occupational groups with high job stability such as public servants and private school teachers. Even among private occupational groups, eligibility for social insurance was incrementally extended from employees in large companies to those in medium and small companies, farmers and fishermen, and finally the urban self-employed (Kim S., 2016). This order is inconsistent with the urgency of welfare protection.

Likewise, the increase of welfare expenditure does not necessarily guarantee the provision of high quality of welfare services for beneficiaries. Therefore a multi-dimensional analysis is required to measure welfare levels.

Why Was State Welfare Underdeveloped in East Asian Growth Economies?

Large-scale Resource Distribution to Defense and Education Policies

While we acknowledge the underdevelopment of state welfare in East Asian growth economies, we need to debate whether it was truly due to the preferential allocation of resources to economic and industrial policies, as the DWS contends. In order to do this, we first need to examine the general structure of the national budget, explore the diverse sources of economic expenditure, and compare these with other major budgetary items.



It is true that there was a large gap between the budget allocated to economic development, such as social infrastructure investment and subsidies for export companies, and welfare expenditure (see Table 1). In this regard, the DWS's contention seems persuasive.

(Unit: hundred million Won, %)

Year	Welfare/ healthcare	Economic Development	Defense	Education	Others	Total
1960	22 (5.2)	84 (20.0)	147 (35.0)	64 (15.2)	32 (7.6)	420 (100.0)
1965	52 (5.6)	192 (20.5)	299 (32.0)	153 (16.4)	67 (7.2)	935 (100.0)
1970	175 (4.0)	918 (20.8)	1,023 (23.2)	782 (17.7)	227 (5.1)	4,413 (100.0)
1975	1,019 (5.8)	5,497 (31.1)	4,652 (26.4)	2,245 (12.7)	2,506 (14.2)	17,653 (100.0)
1980	5,162 (6.7)	19,967 (26.0)	23,491 (30.6)	11,244 (14.6)	8,466 (11.0)	76,820 (100.0)
1985	9,709 (6.5)	32,509 (21.9)	39,579 (26.6)	24,623 (16.6)	21,192 (14.3)	148,670 (100.0)

Table 1. Changes in the Composition of Government Expenditure (selected years)

Source: Ministry of Finance and Economy (1985), *Korean Financial Statistics*; Korea Development Institute (1991), *Forty Years of Korean Finance*.

However, a detailed examination reveals a more sophisticated picture. Diverse factors are involved in determining the level of welfare expenditure. In terms of budgetary structure, expenditure for economic and industrial policy was largely met not by general accounts but by special ones. Expenditure through public enterprises also occupied a large proportion of the budget for economic development. In addition, until the 1960s, a significant portion of capital needs for economic development were covered by grant-type aid from abroad and compensation funds from Japan, which were not included in formal statistics (Kim S., 2012). In the 1970s, the amount of grant-type aid received decreased to a negligible amount, and economic expenditure was largely met through public loans from abroad and the government's grantee payments on private loans, which were also excluded from the official budget. Thus, a review of formal general accounts is inadequate to precisely grasp the scale of expenditures. Rather, we need to understand the structure of the budgetary system and apprehend the hidden parts of the budget.

Prior to the 1970s, the portion of the budget allocated to economic expenditure had to be relatively large in order to meet development goals, as significant capital was needed to build infrastructure, including roads and ports, industrial complexes, power plants, and telecommunications (Schneidewind, 2016). However, in the 1980s, infrastructure investment decreased significantly. The need for basic infrastructure construction diminished and private capital and foreign direct investment increased. Although the formal budget reflects direct government expenditure, economic policies were furthered through diverse financial instruments that are not included in these figures, rendering simple comparison between economic and welfare expenditures irrelevant.



The necessity of large-scale national defense spending also significantly constrained welfare expenditure. Korea's economic growth coincided with the Cold War period internationally and the authoritarian military regime domestically, which were intertwined. Both the Park Chung-hee government and the Chun Doo-hwan government constructed a garrison state based on total security posture under constant intimidation from North Korea. These geopolitical and military contexts demanded significant defense expenditures for the very survival of the country and constrained the portion of welfare expenditure as material resources were limited. Studies have shown that welfare expenditures correlate most closely with defense expenditure, increasing as defense spending decreases and vice versa (Yildirim and Sezgin, 2002). This theory was corroborated by the Reagan administration of the United States, which carried out large-scale welfare reduction in exchange for the reinforcement of national defense (Plant and Hoover, 2014).

Large expenditure on education also influenced the degree of welfare expenditure in Korea. Culturally, Korea, embracing Confucian values, placed a great emphasis on education. When the capacity of the private sector was feeble, the majority of education was funded by public spending. Due to this prioritization of education, Korea's literacy rate was much higher than other countries at similar levels of economic development (Kihl, 2015). It was national policy to strengthen job training and educational programs along with the beginning of full-scale industrialization in the 1960s. Investment in human capital to propel economic development was critical in a country with scarce natural resources. In fact, well-educated and capable human resources were key driving forces behind Korea's economic success (Seth, 2010).

As shown, Korea's low levels of welfare expenditure were, in part, attributable to significant spending to further economic and industrial policies. However, it can also be tied to Korea's spending on defense and education. A combination of factors constrained welfare spending.

Politics Matter

Low-level of Electoral Competition

The level of democracy, the electorate system, and electoral competition greatly influence the degree of welfare expenditure in a country. Intense competition in presidential and general elections under the democratic political system significantly contributes to increased welfare expenditure (Häusermann et al., 2013), because political parties propose various welfare pledges in an effort to win voters. Many of these welfare pledges are implemented after elections, increasing welfare spending. In Korea, even though several levels of elections were held during the period of the growth economy, the impact of these elections on welfare spending was limited, as the authoritarian military regimes restricted electoral competition. Presidential elections were quite competitive in the 1960s, but they became ceremonial between 1972 and 1987 due to the introduction of the indirect presidential election system under the 1972 *Yushin* (revitalizing reform) Constitution. The National Council for Unification, a puppet political organization to the ruling bloc, unanimously elected Park Chung-hee as president without competition (Shim J.,



2004). The Chun Doo-hwan government subsequently changed the election system to an American-style electoral-college system, but in reality, the customs of the 1970s did not change. Chun obtained an absolute majority of votes by eliminating the main opposition politicians from candidacy (Kihl, 2015). Certainly, there was no competition.

Even though parliamentary elections were somewhat competitive in the 1960s, citizens paid little attention compared to the presidential election. In the 1970s, parliamentary election competition was further lowered as the ruling party could secure an absolute majority owing to the provision in the *Yushin* Constitution that allowed the president to nominate a third of total parliamentary members (Choi H., 2004). Even in the 1980s, the ruling party's domination was guaranteed by the medium electorate system, which guaranteed the election of the ruling candidate. Moreover, in the 1980s, key opposition politicians were prohibited from political activities, further lowering electoral competition. In sum, the low level of electoral competition resulting from policies enacted by the dictatorial military regimes discouraged welfare expenditure.

Meanwhile, the impact of political events, such as military coup, was strongly influential in the expansion of state welfare. Welfare was used as a means to legitimize illegal coups. However, welfare spending did not increase; rather the governments that seized power promoted welfare institutionalization. At the time, Korea had a minuscule capacity to invest in welfare and the government instead promised welfare institutionalization (Kim S., 2012). Another political event was the beginning of dialogue between the two Koreas in the early 1970s. This provided an opportunity to introduce a health insurance program in 1976, as the dialogue revealed the details of the North Korean healthcare system (Yang J., 2017). While this political event contributed somewhat to welfare institutionalization, it did not lead to a substantial increase in the government's welfare spending, as the government required individual health insurers to operate on a self-financing basis (Kim S., 2016). Further, although minor electoral competition was present in the 1960s and the mid-1980s, welfare issues were not emphasized, as votes were largely determined by nepotism and regionalism under a strong parochial political culture (Helgesen, 2014). Voters did not portray a keen interest in welfare pledges, and such pledges did not appear to substantially influence their choices.

Underdevelopment of Socialist or Progressive Political Parties

For a long period, conservative political parties dominated Korean politics, mainly due to the geographical characteristics of the Korean Peninsula which left Korea surrounded by hostile communist countries. Until the 1990s, all of the major ruling and opposition parties were conservative (Shim J., 2004). There was no regime change between conservative and liberal parties during the period of the growth economy. The Park Chung-hee government even prohibited the establishment of progressive socialist parties under the pretext of preventing a South-North confrontation.

Meanwhile, the Chun government oversaw the foundation of socialist parties with the aim of improving the relationship with socialist governments in Europe and the third world. However,



they remained puppet satellite political forces to the Chun Doo-hwan military regime, and consequently, could not contribute to promoting welfare. Conservative main opposition parties focused their attention on democratization and the termination of military rule (Kihl, 2015). Korea's political conservatives, despite of their putting up the political slogan of social justice, paid little attention to the realization of the welfare state. Instead, regionalism controlled the Korean political landscape for a long time, excluding welfare agendas from the people's concerns.

Political Authoritarianism and the Weak Opposition System

East Asian growth economies established authoritarian political systems primarily under the pretext of achieving rapid economic growth and protecting the country from hostile neighbors (Beeson, 2014). They did not place a high priority on welfare, as they selected a strategy to stabilize the governing system by delivering economic success. Moreover, they all faced constant intimidation from neighboring countries, which required a large amount of defense spending. Accordingly, they placed a priority on economic growth and national defense, thus neglecting redistribution and welfare in their allocation of scarce resources.

Meanwhile, the power and role of opposition parties were generally trivial under authoritarian rule. In Korea, the power of opposition parties was significantly reduced by three parliamentary resolutions, banning key opponents from engaging in political activities, the passage of the *Yushin* Constitution that provided the president with the power to nominate one third of parliamentary members, and ongoing political surveillance by espionage agencies. At this time, parliament essentially functioned as a rubber-stamp that accredited government policies (Kim Y., 2003). Moreover, until the late 1980s, the main concern of opposition parties was the struggle for democracy, which left welfare off the main agenda.

Disadvantages in Social Conditions

Lack of Social Citizenship and the Preservation of Family Values

Before democratization occurred in the late 1980s, the concept of social citizenship was not prevalent in Korea, and as a result, the people did not conceive of welfare as a right. There were few requests for welfare under the growth economy. Even in the West, the concept of social citizenship, which T. H. Marshall systematized academically, has prevailed since the 1950s when the welfare state was established. The idea of social citizenship emerged after democracy took roots and the welfare state was consolidated (Dwyer and Wright, 2014). Meanwhile, Korea did not experience democracy until the late 1980s, and the welfare state sustained by high taxation was not developed under the growth economy.

Further, although urbanization progressed rapidly beginning in the 1960s, together with industrialization, Korea's Confucian traditions, such as filial duty and family support within the extended family system, remained (Yao, 2010). Self-help within the family system and mutual aid



between community members could minimize demand for state welfare, by satisfying large parts of basic welfare needs through the family system and village communities. In the West, welfare needs resulting from the problems of poverty, exclusion, and lack of housing, increased as urbanization progressed, and this in turn spurred welfare spending (Mishra, 2014). However, in Korea, although urbanization progressed considerably under the growth economy, the tradition of family support was quite well preserved and alleviated the need for state welfare up till quite recently. The long-cherished family values of respect for the elderly and practicing filial piety towards parents do not disappear overnight. Under a long tradition of Confucian family values and communalism, welfare needs of the elderly and children could be met by the family system and the private sector, reducing the demand for state welfare.

The Underdevelopment of Trade Unionism

The lack of trade unionism and the state's effective control of the trade unions that did exist were also important factors in reducing the pressure for welfare spending. According to Korpi's (2006) power resource theory, the development of trade unions and pro-labor parties plays a key role in the development of the welfare state. Mishra (2014) also regards the numerical increase and organization of factory workers and the emergence of labor parties as key factors that spurred the creation of the European welfare state. An example is the Swedish welfare state, which has been sustained by the social pact between strong trade unionism and socialist political regimes (Kangas and Palme, 2005).

Meanwhile, in Korea, all trade unions were dissolved by the 1961 military coup and then restructured by the government. In this process, the military regime excluded uncompromising trade unions, and guided the establishment of the Federation of Korea Trade Unions (FKTU) and its affiliated unions (Lee W., 2013). Accordingly, trade unions were inherently pro-government and controlled by the authoritarian governments through diverse mechanisms of constraints and inducements, such as the co-optation of union leaders, the selective provision of financial subsidies, and steering of the leadership selection process. In the 1970s, the *Yushin* government cracked down on labor strikes by mobilizing coercive state apparatuses such as the police, the prosecutor's office, and intelligence agencies (Yoon J., 2011), as exemplified by the suppression of the union activities of Cheonggye Textile, Tongil Textile, and YH Trade. The government mobilized a variety of methods, such as the enforcement of Factory *Saemaetul* Movement and the establishment of Labor-Management Council at workplaces, in order to incapacitate union activities. Throughout the 1970s, the total labor number of recorded labor disputes was just 735 and there were only 88 lost days (Ministry of Labor, 1997, *Labor Statistics Yearbook*).

The suppression of trade unions was reinforced with the emergence of the Chun Doo-hwan military regime in 1980. The Chun government expelled 191 union activists in 1980 as part of the Social Purification Movement and revised labor-related laws to tighten control by transforming the industry-based union system to one that was company-based (Ministry of Labor, 2006; Lee W., 2013). As a result, in the 1980s, government recognized trade unions, led by the FKTU,



actively supported government policies. Thus, pressure from trade unions for welfare expenditure was limited. Meanwhile, the Chun government strongly oppressed the trade union movement, as was shown in the cases of its suppression of labor strikes by the Guro Industrial Complex Union and the Gyung-in Union between 1985 and 1986 (Koo, 2007).

In sum, trade unionism was suppressed under the growth economy of Korea, and consequently union activities could not stimulate the increase of welfare expenditure. Even though democratic trade unions opposed labor policies, their goal was not related to the increase of welfare but to democratize the labor system.

Inactivation of Civil Society

While the presence of an active civil society contributed to the development of state welfare in Western countries, Korean civil society was constrained under the military regimes until the late 1980s. Some civic groups, such as student associations and anti-government religious groups, opposed government policies, but their main target was to criticize the military dictatorships. Civic groups advocating welfare were non-existent, with the exception of some charity organizations. The military regimes regarded advocacy civic groups as illegal organizations and suppressed their activities, through diverse methods of state violence ranging from physical detainment, surveillance, and torture (Choi H., 2004; Robinson, 2007). The government prohibited recalcitrant civil activists from political activities and enforced various oppressive laws and regulations (Kim Y., 2003). In particular, the Emergency Measures of the 1970s were enforced arbitrarily to suppress civil society. Emergency Measures No.4 and No.9 were particularly notorious for quelling civil protests and student movements. Table 2 shows the number of political detainees imprisoned by oppressive laws, under the *Yushin* dictatorship. The military government used both legal and illegal means under the pretext of preserving economic development and national security to constrain civil society, and this constraint hindered potential channels to convey welfare demands in the policy process.

(Unit: person)

Year	National Security Law	Anti-Communist Law	Law on Assembly and Demonstration	Emergency Measures	Total
1972	278	437	52	-	767
1973	76	445	37	-	558
1974	86	269	19	-	374
1975	74	328	82	-	489
1976	121	386	32	193	741
1977	35	322	-	157	515
1978	30	208	12	215	479*
1979	37	194	26	160	438

Table 2. Number of political detainees under the *Yushin* government (1972-79)

* Includes 11 detained under the Special Measure for National Security.

Source: National Court Administration (each year), *Yearbook of Court Statistics*



Meanwhile, interest groups mainly advocated for private interests, but they did not oppose government policies. Business interest groups, such as the Federation of Korean Industries, followed government guidance, whereas professional interest groups, such as the Korean Medical Association and the Korean Bar Association, focused on advocating for their professional interests (Choi H., 2004). They were generally subservient to government control as they were granted monopoly on interest representation under the interest intermediation system of state corporatism (Kim S., 2016). Civil society has been revitalized in earnest since the nationwide democratization protests and massive labor protests in 1987. Since then, various civic groups, such as the Citizen's Coalition for Economic Justice and the People's Solidarity for Participatory Democracy, have participated in the policy process with critical approaches. It was in the 1990s that welfare civic groups began to advocate for the expansion of state welfare.

Discussion and Concluding Remarks

This article has reviewed the DWS's contentions relating to the underdevelopment of state welfare in East Asian growth economies from a critical viewpoint. The core point of the DWS's contention is that state welfare was underdeveloped in East Asian growth economies, and the main reason for this underdevelopment is that these countries had to preferentially channel scarce national resources into economic and industrial policies. The indices used to support this contention were the amount of welfare spending and its ratio to GDP.

However, this article refutes the DWS's contention. With regard to the underdevelopment of state welfare, the DWS's contention can be quite persuasive when state welfare is measured according to welfare expenditure. The level of state welfare was inferior in East Asian growth economies in terms of both the amount of welfare expenditure and the ratio of welfare spending to GDP or similar indices. Numerous examples prove the persuasiveness of the DWS's contention that state welfare was underdeveloped due to the state's prioritization of economic development. The main purpose of enacting the National Welfare Pension Act in 1973 was to invite domestic capital for the successful transformation towards heavy-chemical industrialization (Yang J., 2017). The reason that the government introduced the Industrial Accident Compensation Act in 1963 was also to protect industrial workers during the process of industrialization (Hwang, 2006). The beneficiary qualifications of the Livelihood Protection Act were also firmly restricted by the criteria of age and ability to work in a bid to reduce government expenditure and encourage the will to work. Certainly, it is undeniable that the preferential allocation of scarce resources under the growth economy, at the cost of welfare expenditure, contributed to rapid government-led economic growth.

However, it is risky to conclusively assert that the underdevelopment of state welfare was attributable solely to the preferential distribution of resources by relying on the simple evidence of



low welfare spending. This is another version of economic determinism. There are many factors to be considered when evaluating and comparing the welfare level of different countries. These include the conceptual scope of welfare, the diversity of indices used to measure welfare development, the reference point used to measure welfare development, the budget system and source of welfare spending, the difference among East Asian countries, and changes in welfare spending within the same country over time. We must conduct deeper and stereological analysis before drawing any hasty conclusions.

During its initial stage of industrialization in the 1960s, Korea had a negligible amount of accumulated capital and was heavily dependent on grant-type aid from abroad. Even though the size of economy dramatically expanded in the 1970s, Korea continued to depend on loans from abroad for a large portion of its economic development funds, and the country's domestic savings and capital accumulation remained small (Park J., 2009). Meanwhile, capital requirements greatly increased in the process of transforming the economy to heavy-chemical industrialization. Accordingly, the government set priorities for public expenditure, and naturally, economic and industrial policies were at the top, as industrialization was the top national goal under the military regimes. The financial reserves that could have been allocated to welfare were severely limited.

In addition, the development strategy of the Chun government was quite different from that of the Park government. The Chun government focused its attention on economic stabilization rather than quantitative expansion of the economy. The nation's development strategy changed from growth-first to the simultaneous development of economic growth and redistribution (Kihl, 2015). "Construction of a welfare society" was one of four national slogans. Economic capacity also greatly advanced. Accordingly, even though the weight of welfare expenditure was not any larger in the 1980s than it was in the past, we need to understand the 1980s Korea differently from the 1960s and the 1970s in terms of economic capacity and policy priorities, even under the same line of the growth economy.

In conclusion, state welfare was underdeveloped during the period of the growth economy in Korea and it is partially true that this was due to the preferential distribution of limited resources to economic development. In this regard, the contention of DWS is not wrong, and in particular, it rings far more true if we limit the scope of welfare to state welfare. However, when we delve more deeply, it is revealed that this contention is only partially correct and is somewhat superficial. We must analyze reality from a more comprehensive perspective that incorporates political and social explanations as well as an economic explanation. We need to further elaborate the concept, scope, and level of welfare underdevelopment and seek the causes from more integrated point of view. In order to better grasp the reasons for welfare underdevelopment in East Asian growth economies, this article proposes the following.

First, we should approach welfare from a systematic perspective. According to D. Easton's (1965) systematic approach, it is possible to establish a comprehensive analytical framework within the broader environmental context of a particular country in order to understand the underdevelopment of state welfare. This environment is composed of politics, society, and the economy. While input originally refers to demand and supply, we may replace them with welfare



budget decision-making in the government and the amount allocated to the welfare budget. Conversion is the process whereby central and local governments implement the welfare budget. The government's welfare delivery system can also be considered. Output is defined as the results and impacts of welfare policy and expenditure, measured by the performance of welfare expenditure and the degree of wealth inequality. This logic is based on the idea that increased welfare expenditure does not necessarily guarantee the high quality of welfare.

Second, we need to understand welfare underdevelopment from a more integrated and comprehensive perspective. Even though economic factors play a key role in welfare underdevelopment, political, social, and cultural factors are also greatly influential. In addition, we can understand these factors through the supply and demand framework. Economic and financial capabilities and the degree of welfare spending may be considered the supply side of welfare. Political factors, such as the degree of democracy, electoral competition, power of the labor party, governing ideology, and political events like military coup, and social factors, such as power of trade unions, the people's understanding of social citizenship, and strength of civil society, generally constitute the demand side of welfare. Cultural factors, such as familism, respect for the elderly and parents, and community support, can also constrain the supply of welfare by limiting demand. The level of state welfare and welfare spending in a country is determined by the combination of demand and supply.

Third, the level of state welfare should be judged from a multi-dimensional perspective. Although welfare expenditure is one of the most objective indicators for international comparisons, there are other important indices that can be used to judge the welfare level of individual countries. They include the degree of welfare institutionalization, the development of welfare personnel and organization, and the coverage of welfare beneficiaries. In Korea, welfare expenditure was insufficient under the growth economy, but welfare institutionalization progressed considerably. Welfare personnel and organizations also saw considerable expansion under the growth economy. It is important to consider multiple dimensions when assessing the level of welfare development and require further dynamic analysis on the connection among them.

Fourth, when adopting comparative methodology, we need to compare more comprehensively. While the DWS compares the welfare level of the growth economy with that of Western developed countries, this comparison may be irrelevant owing to the significant gap between the two worlds in terms of economic development, democratization and strength of civil society. Rather, it might be better to compare East Asian growth economies with the welfare level of Western countries during their periods of economic development. It would also be meaningful to compare welfare levels among East Asian countries. A longitudinal comparison of welfare development within a particular country is another potential measure, since the amount GDP ratio of welfare spending varies over time. Korea witnessed a considerable change in both the quantity and quality of its welfare during the 30 years of the growth economy. It is also necessary to consider differences in the structure of government budgets when measuring welfare levels according to welfare expenditure. It is irrelevant to compare the welfare expenditure of countries with different budgetary scopes and items.



Fifth, we ought to examine welfare from the perspective of cultural relativism, breaking from the conventional Western-centrism. Most political and social theories were invented by Western scholars and naturally have a tendency of cultural imperialism that degrades non-Western societies (White and Goodman, 1998). Certainly, the welfare state was first developed in the West. Since the inauguration of the (Old) Poor Law in 1603 and the New Poor Law in 1824, the Western welfare state has evolved going through Bismarckian social insurance, the Fabian Society, and the Beveridge Report (Kangas and Palme, 2005). The welfare state has been enriched, since the Second World War, due to the post-war economic prosperity of the West. Meanwhile, East Asian countries, with the exception of Japan, suffered from colonial rule and placed a greater priority on economic growth than redistribution and welfare with the aim of catching up economically to Western countries. Western countries also adopted similar patterns of economic development in the early period of industrialization. Pursuing economic growth and redistribution together was not easy in the beginning. Thus, we need to make an effort to understand the underdevelopment of welfare under the East Asian growth economy by viewing the welfare state from the position of the then developing countries rather than from the modern Western standard.

Sixth, a discussion of state welfare must be connected with tax policy through a framework that combines the economy, welfare and taxation system. It is necessary to secure tax revenues to fund welfare expenditure, and tax revenues largely depend on how tax rates are determined relative to the people's tax-bearing capacity. In Korea, it was difficult to impose high taxes during the growth economy, as individuals and companies had less capacity to pay taxes and business-friendly policies were imperative to propel economic development (Park, J. 2009). It was impossible for the state to secure welfare funds through high taxes, naturally leading to a low level of welfare spending.

Lastly, we need to understand the context and structure of decision-making on welfare expenditure. A variety of factors influence the parliamentary budget deliberation process, including the type of political system, the degree of the budget department's influence and the power relationships between the executive and the legislative and the ruling and opposition parties. The interplay of these factors impacts the amount of funding that is allocated to welfare. Thus, without considering the decision-making context, uniformly assessing levels of welfare expenditure may cause researchers to fall into a trap of excessive generalization. In Korea, budget deliberation was not tight in the parliament under the strong presidential system. The rate of parliamentary revision of the government budget never exceeded three percent until the 1980s (Chung et al., 1993). Within the executive branch, the power of economy-related departments overwhelmed welfare departments under the growth economy. In particular, the strong power of the Economic Planning Board influenced the preferential allocation of funds to economic projects and development initiatives. ■



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*Author's Biography*

Soon-yang Kim
Yeungnam University

Soon-yang Kim is Professor of Public Policy and Administration at Yeungnam University. He holds two Ph.D. degrees: one in social policy from the London School of Economics and Political Science (LSE), UK and the other in public policy and administration from Seoul National University, Korea. His main academic interests are in social policy, the developmental state, the welfare state, and policy theories. He has published more than 150 articles in peer-reviewed journals. His recent books include *Health Politics in Korea* (Seoul National University Press), *Outsiders in the Korean Multicultural Society*, *Health Systems in Transition: Republic of Korea* (WHO), and *Contracting-out System of Welfare Services*.

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- For inquiries:
HyeJung Suh, Associate Director, Research Planning Department
Tel. 82 2 2277 1683 (ext. 140) hjsuh@eai.or.kr
- Typeset by HyeJung Suh