Confucianism in Korea’s Economic Revolution

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Introduction

South Korea’s GDP (PPP) per capita rose over 18,460% in almost 50 years. The Republic of Korea, or commonly known as South Korea, is one of the leading countries today economically. South Korea’s GDP is 15th in the world at $832,512 million. Considering that only 50 years ago, South Korea was one of the poorest nations in the world, this quick rise in its economy certainly seemed like a Cinderella story.

South Korea went through many hardships, yet miraculously developed at an incredible speed. Figure A below shows that South Korea’s economy grew rapidly and passed the average GDP per capita of the world. South Korea’s GDP (PPP) per capita (gross domestic product at purchasing power parity per capita) in 2009 at $17,078 (in current US) is much higher than it was in 1962 at $92 (in current US). One cannot ultimately say a country is ‘more successful’ than another country, because we do not know what the definition of being ‘successful’ is. However, there are some characteristics of a society that are more favorable than others. Such things could be GDP per capita, life expectancy, and infrastructure. South Korea submitted to Japan’s occupation from 1910 to 1945 and suffered greatly in its preservation of culture, its GDP per Korean, and its education system, which led to a lack of educated Koreans and in turn, Korean entrepreneurs. Civil war occurred from 1950 to 1953, during which much of South Korea’s infrastructure and buildings were destroyed, making rebuilding necessary to get back to where they were before. Many thought that South Korea could never get itself out of this economic and social mess in 60 years, let alone become a high-income economy, a full democracy, and a fierce competitor in the world market. However, in the 1970s, there must have been something to jumpstart South Korea’s economy.

The goal of this paper is to not only figure out how and why South Korea’s economy rose so greatly, but why South Korea had those factors or particularities that led it into the miracle of today. After researching the development of South Korea in the 1950s and the influence of Confucianism on Koreans, I believe that Confucianism played a heavy role in the successful economic and industrial growth of South Korea. Confucianism was a cornerstone founding the mediums of the chaebols and the ethos of Koreans.

Although Confucianism explains many of the reasons behind the reasons of the rise in Korea’s economy in the 1960’s, there are clashing principles between the growth of an economy and Confucianism. Weber notes that in a capitalistic society, there must be an individualistic

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1 World Development Indicators database, World Bank, 27 September 2010.
2 World Development Indicators database, World Bank, 3 October 2010
desire to maximize profits and have competition. He says that Protestant ethics, the hard work of the individual and his or her pursuit of wealth, are what set the foundations for capitalism. By Weber’s logic, societies based on Confucian ethics could not have been successful, because Confucianism calls for abolishment of the individual and promotion of the wellbeing of the community. Because Korea, a capitalistic society, has become successful, Confucianism could not have been a factor, let alone a major one, in Korea’s economic rise.

Another scholar, Leonard Shihlien Hsu, suggests that Confucianism should have the capacity to breed advances in economic development, because Confucianism strives for the betterment of society. A Confucian society serves to distribute its national wealth justly and treat all individuals with equality, which supports the regulation of competition. Also, Confucianism promotes the growth of wealth in the society, leading to the development of the production of goods. Cogently, it then seems Confucianism could be the component behind South Korea’s economic rise.

Although these arguments may be sound, I believe that Confucianism played a role in South Korea’s economic and industrial rise. The economic fruits of Western countries’ capitalistic societies were attractive to South Koreans and so the choice to adopt capitalism seemed obvious. The cooperating, harmonious society, found in Confucianism, also made sense to emphasize.

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Confucianism’s communal principles supported by Protestantism’s individual betterment bred the miraculous growth in South Korea.

**Confucianism in Korea**

Confucius was a philosopher and his collective teachings became what are known today as Confucianism. Confucianism focuses on two issues. One is the governing of the self, or ethics, and the second is the governing of others, or politics. The study of these two aspects of the philosophy naturally leads Confucianism to have features of both philosophical and realistic thinking.

The time period and origin of Confucianism in Korea is not clearly determined as it reached the land of Korea in various times, but it seeded early and persisted. The initial Confucian principles may have reached Korea through Chinese subjugation of northern Korea in the first three centuries A.D. In the beginning, Confucianism was very limited in Korea as the preferred, more dominant religion or teaching was Buddhism. In 788 A.D., a civil service examination was established as an imitation of the Chinese Tang Dynasty’s civil service examinations. The examination became a test on the Confucian classics, which furthered the expansion of Confucianism in Korea. In addition, the Korean scholars who spent time in Tang China studying Confucianism, helped Confucianism disseminate in Korea when they returned to Korea.

In Koryo, Confucianism persisted because Wang Kon, the founder of the Koryo Dynasty, immersed himself in Confucianism, declaring Confucianism to be the ideology of a centralized state. In 958, Koryo started its own civil service examination with the help of China that also focused on studying Confucianism. Confucianism was so eagerly accepted in the Koryo Dynasty because the founder, Wang Kon, wanted the Koryo Dynasty to emulate Tang China in almost every way possible. He, and the other early kings of Koryo, favored the cultural and institutional elements of the Tang Dynasty. Wang Kon proclaimed, “We in the East have long admired T’ang ways. In culture, ritual, and music we are entirely following its model.”

**Present and Past South Korea**

There are many things that we can compare in present and past South Korea. In addition to the comparison of South Korea’s present GDP per capita to that of its past, life expectancy and education are growing. South Korea has a life expectancy of 80 years in 2009 while in 1960, the life expectancy was 56 years. (See Figure B). If a country’s advancement is based on these factors, it seems that South Korea is more well off than it was in the 1960’s. But what pushed it to develop so quickly?

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The Export-Oriented Growth

The beginning of economic expansion started in 1961 when Syngman Rhee was removed from the presidency through the ‘April 19 Student Revolution’ and President Park Chung-Hee took power. During the presidency of Syngman Rhee, not much attention was paid to the economy of South Korea and President Rhee focused more on the politics. Rhee, pushing South Korea’s economic agenda aside, promoted the idea of import substitution and acquiring considerable foreign assistance. Many businesses succeeded by using corruption within the government; favoritism played heavily into businesses receipt of government protection.

President Park enacted a new policy that made Korea into an export-oriented economy, a focus on increasing exports with minimal to no imports. In order to produce exports, President Park needed the help of big, successful Korean corporations. President Park made a deal with these businesses; if the businesses helped Korea through industrialization, the government would waive their punishment for corruption. The businesses accepted and President Park was now able to control many of these huge Korean conglomerates called chaebols. Because they were all working together under one leader, it allowed Korea to have rapid expansion of trade and industrial growth. In addition to controlling these large businesses, the government also developed a more suitable industrial infrastructure to promote export-orientation, for example, the Pohang Iron and Steel Company (POSCO). The Korean government started POSCO in 1968 and it ambitiously,
and riskily became the largest steel industry at that time. Now it is the third largest steel producer in the world ranked by sales with sales of 31.1 million tones of steel in 2009.⁸

President Park’s philosophy of government proved controversial because he was so adamant about an export-oriented economy. He was quite the opposite of Syngman Rhee in that, while Syngman Rhee focused heavily on politics and lightly on economics, Park Chung-Hee focused mainly on economics and barely on politics. Park at one point made the controversial statement that “for such poor people like the Koreans, on the verge of near starvation, economics takes precedence over politics in their daily lives and enforcing democracy is meaningless.”⁹

From 1973 onward, the Korean government focused more on sector-oriented import substitution because it wanted to start utilizing the comparative advantages Korea had. Incentives and support were allocated to those businesses that seemed ‘strategic’ to Korea’s production of exportations. Such incentives were tax exemptions, custom rebates, access to foreign exchange, and other ways to allow the industries to compete internationally. Evolving from these incentives, the selecting and supporting of particular companies that were considered dependable and faithful induced the creation of these chaebols.

These next two sections will talk about two major reasons behind South Korea’s economic rise, the chaebols and the ethos of Koreans. Then I will further explain how Confucianism was the reason for the aforementioned two reasons.

The Work of Chaebols

Chaebols are humongous business groups that are owned and operated by family members that produce a diverse line of products for global consumption. These chaebols contributed greatly to the industrialization of South Korea as they created the exports that were necessary to have an export-oriented growth. They also created jobs in manufacturing. Because chaebols were so huge, they had many advantages over small firms in contributing to this export-oriented economic growth of South Korea.¹⁰

President Park demanded more and more exports and soon, the standard for success of a company in the eyes of the government were its export capabilities. As a result, firms kept trying to increase production and expand exports, but this resulted in companies being financed more through liabilities than equity. Due to this, larger firms were more capable in expanding their export capacity, as their liabilities-equity ratio would not be affected as much.

In addition, the government favored a small number of large firms to a large number of small firms, because the leadership and organization were more centralized and easier to control. This, in turn, gave large firms more capability to expand export capacities as the government allocated more bank credit to them. Larger firms were also more able to cut through red tape because of their large human resources in comparison to small firms.

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⁸ World Steel Association (worldsteel), Worldsteel Member Companies 2009 Crude Steel Production Over 3 Million Tonnes
The chaebols did not push South Korea’s economy by itself; it was a polymerization of the chaebols and the personality of Koreans that propelled the production of exports, which subsequently drove the economy of South Korea.

The Educated and Strong-willed Personality

Although the formation of chaebols facilitated the industrialization of Korea, the chaebols would not have succeeded had it not been for South Korea’s immense work force. South Korea was different from other countries in that it had unusually high investment in human resources. The percentage of high school graduates advancing to colleges or university in Korea was the second highest in the world in 1990, after the United States.

Not only was education fundamental in the cause of Korea’s great human capital, but the idea that one could improve his or her family’s living standards spurred a huge percentage of the many agricultural workers of Korea to work in the chaebols. Although the money made at working in the factories was not that significantly higher than that in working on the farm, it was still seen as a more luxurious life. There was also much competition between the unskilled laborers to obtain blue-collar jobs within these companies.

The idea of education has become one of the most important driving factors in the economy of Korea. Parents are willing to sacrifice almost everything just so their child or children can receive the best education possible. This is also why being a professor is still seen as the noblest profession. Kim Myung Sook, a scholar of the Korea Development Institute estimated that total expenditures for education amounted to 13.3 percent of GNP in 1984, “larger than the Japanese figure of 5.7 percent in 1982 and the American figure of 6.7 percent in 1981.” The investments in education paid off as it produced a well-educated labor force that would supply the strength of the manufacturing chaebols in the 1960s.

Koreans were known for their “can-do” attitude. Korean workers were not just senselessly ambitious, but they ensured their goals came to fruition. The Korean work ethic was amazing in that they often prioritized work as one of their most important goal. The work ethic was described as persistent, self-sacrificing, faithful, and reliable. Personality or work ethic is not something that can be easily measured, recorded, and compared but in surveys asking Korean children what value their parents would like to see in them, achievement ranked number one, while in English and American children, it ranked sixth and eighth, respectively. In another study done by Kim Kyong-Dong, Korean workers were asked what they would do if they had enough money to live

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comfortably for the rest of their lives; 96% of the subjects replied that they would continue still to work hard.\textsuperscript{15}

The Korean worker’s week was strenuous compared to workers in other countries. The average hours per week, a male, Korean, industrial worker worked in 1975 and 1983 were 50.5 and 54.3, respectively.\textsuperscript{16} The estimated hours per year a Korean male worker worked were 2,833 hours, compared to 2,168 hours in Japan, and 1,898 hours in the United States.\textsuperscript{17} Moreover, the average Korean took 4.5 vacation days per year while the Japanese counterpart took 9.6 days, and the U.S. counterpart took 19.5 days.\textsuperscript{18} The average Korean worker could be seen working easily more than 10-11 hours a day, six days a week, many companies requiring Sunday also.

The influence of Confucianism from China created one of the hardest working nations by the awesome work ethos of Koreans. Fueling the power behind the rise in Korea’s economy, the well-educated, optimistic labor force industrialized South Korea. But why did this idea of Confucianism resonate so well with Koreans and where were its origins?

\textbf{The Influence of Confucianism}

Confucianism had heavy influence in Korea and its code of ethics became the guide to the structure of Koreans in family, society and the work force, and the reason behind the wealth of human capital and the ethos of Koreans.

\textit{The Structure of Chaebols}

The managerial structure of chaebols was unique in that it mirrored Koreans’ human relationships. The company was organized in the way that a Korean family would function internally and interact externally.\textsuperscript{19} The traditional Korean relationship was based upon Confucianism and neo-Confucianism. This code can be stated in five cardinal virtues:

1. There is a strong relationship between the father and son. The father is respected, loved, and absolutely obeyed by the son. The family is the most important identity of one’s self because it tells one where one is placed in the larger scope of society. The family cares after its own and stemming from this, Korean companies tend to be extremely nepotistic. Contrastingly, if the child disobeys, it is common for the father to punish the son physically.\textsuperscript{20}

2. The wife must not only give absolute obedience to the husband, but must place herself lower than him. Women are seen as just mothers and wives and must obey the male members of family and/or society. Women usually get paid less, hold lower positions, and


\textsuperscript{20} Steers, Sin, and Ungso, \textit{The Chaebol}, 13-14.
are treated less fairly than men. Similar to the child, many times, if there is an altercation between the wife and husband, the husband resorts to violence to resolve the problem.  

3. There is a strong sense of seniority in society. The young must show respect to the elders and the elders are to assume responsibility for the wellbeing of the young. This respect for elders is the root of “familism” that is the basis of all Korean relationships. In addition to the influence in the statuses of society, work, or family, the young must always show respectful gestures to the elderly. Some of the endless habits are that the young must bow to the elderly when greeting them, they must always give and receive using two hands while the elderly can use just one, they must always wait for the oldest person to eat first until they can eat, and they must always talk to the elderly using honorific language. They cannot even drink alcohol in front of the elderly and must turn away to drink unless the elder says that it is acceptable to drink in front of them.  

4. There must be mutual trust between friends and acquaintances. The cohesiveness of this trust is essential in all Korean human relationships and very important in Korean culture. Korean workers always try and make friendships/relationships with other workers at all levels in all organizations. There is more emphasis on personal relationships than written contracts and business activity also reflects this emphasis.  

5. Lastly, there is an absolute sense of loyalty between the servant and its master. This relationship parallels the relationship between the father and son. Like the same way, the employees of a company are faithful to their companies and the president/CEO.  

The structure of employees within a chaebol consists of three categories: the core group, the middle group, and the marginal group. The core group consists of the employees that are extremely dedicated to the company and have usually worked for the company for an extensive period of time. These workers are valued highly by the company and are treated favorably. They are usually owners or executives. The second category is the regular workers. They are just the ordinary, normal employees who have been working at the company for some adequate time. These employees are usually managers and workers. While some regular workers advance to the core group, others may leave the company. The last group is the marginal employees. They are generally employed through favors made by existing employees. They do not have as much dedication, which results in a lack of passion and motivation.

To compare, the American company has a miniscule core group while it have a large regular and marginal employee group. The reason for this tiny core group is that the top executives of American companies do not consider many of their top managers and workers to be part of their corporate family. It is usually the few owners that are considered to be family and thus, there is not much bonding or commitment displayed between the companies and their workers.

The strong level of commitment and motivation in the chaebols made a much larger percentage of the company personally preserve, and develop the company. Because there were also

21 Ibid., 14.  
22 Ibid., 14-15.  
23 Ibid., 15.  
24 Ibid., 15.
very few instances of employees leaving companies, the company felt fewer disruptions in their course of action; thus, it was more stable and efficient.

The Importance of Education in Confucianism

Chan, a scholar of Confucianism, said, “What heaven imparts to human is called human nature. To follow our nature is called the Way. Cultivating the Way is called education.” Although education is not a direct principle of Confucianism, it is a byproduct of its principles and essentially tied in as a major principle. Branching from the first principle of Confucianism of familism, the needs of the family are greater than the needs of the family member and so each member must carry on his or her back the responsibilities to support the family. And as such, the way in which to progress and sustain the family is to earn necessities such as food, shelter, and clothing. So the family member must earn money, and to earn money, he or she must be well educated. Each family member must be able to contribute to the family their potential gains.

Not only was education necessary in the familial society, but just as the community was seen as a family, education was important to the nation. The growth and strength of a nation depended upon the intellectual capacities of its people. Because of the Confucian idea that a nation must exceed itself and to want progress, people chose to educate themselves. Education was also seen as being part of a bigger idea of moral discipline; it improved the nation as it produced virtuous people that led to fewer crimes and more cooperation. Immoral governments would never be able to overcome moral ones and thus, education was a medium for people to be morally disciplined. In 1988, the average ten to fifteen year-old Korean spent more time doing homework per day than their Japanese and United States counterparts. Also, 78 percent of thirteen year-old Koreans had mastered intermediate mathematics compared to 40 percent in the United States.

Scholars Lim and Lay say, “Diligence is an intrinsic value in itself and since Confucius believed that relationships between society and individuals and between individuals and family were important, it is also a way of contributing back to society when one grows up and is able to work.” Rooting from the same Confucian principle of the son serving his father, diligence in work and education was expected. Because the families, companies, and communities strived to become better, the members worked hard to maximize their contributions to the group.

Furthermore, the individual putting forth his or her community before his or her self was a reason why the export-oriented policy worked so well. Although President Park enacted the policy, the Koreans ultimately decided to make it work. Because Koreans cared for their country, they were faithful and kept buying products from their own Korean companies even though the products may have been more expensive or of lesser quality.

The Polymerization of the East and the West and Other Arguments

In the 1960s, there was a surge of Westernization in South Korea through Christianity and there was a great exchange of ideas and beliefs. Christianity, Protestantism and Catholicism, came from Europe and it promoted the bases for capitalism. However, during this period of Westernization, many Koreans believed that the acceptance of Christianity overtook their national identity and that they needed to come back to the roots of Korean traditions. So the traditional Confucian ethics were combined with Western Christianity to form the new Confucian ethics.

Tu Wei-ming describes the new Confucian ethics as “an amalgam of family or collectively-oriented values of the East and the pragmatic, economic-goal oriented values of the West.”

East Asian countries, such as Korea, Japan, Taiwan, Hong Kong, and Singapore that have become influenced by the new Confucian ethics have shown prosperity. In traditional Confucianism, commerce, trade, and manufacturing were thought of as the lowest priority. So in the new Confucian ethics, these values were replaced by Protestant values.

Conclusion

After analyzing the factors behind the economic rise of South Korea, we can conclude that the traditional values of Confucianism were largely present through the Korean companies and in the personalities of Koreans. Confucianism permeated throughout Korea and impacted the minds and the societal structure of Koreans. Bringing about a sense of loyalty and kinship, these relational characteristics created cohesiveness, catalyst, and a superhuman ambition for success. The methods of an export-oriented policy and the uniquely, structured chaebol created the surge in South Korea’s GDP through the massive production of exports.

There are arguments against the idea of Confucianism taking part in the economic rise of South Korea as evidenced by the ideas and works of Weber. Although Confucianism’s idea of focusing on the wellbeing of and the isolating of the country would conflict with the growth of an economy, the new Confucian ethics which fused the capitalistic system of Protestant ethics and the intense ambition of a nation’s success of Confucianism, became the cause behind the success of South Korea. Hopefully, the success that the combination of Protestantism and Confucianism brought to South Korea may stand as a precedent for great mixtures of ideologies to not only be accepted, but encouraged.

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