

## The Tortuous Path of South Korean Economic Development

This book explains how South Korea has uniquely transformed itself from a developing to a developed country by combining economic analysis with historical perspective, an approach badly needed but rarely taken by previous studies. The book shows that the country has done so through a tortuous process. It first explains how Korea failed earlier in history to emerge as a developing rather than a developed country after the Second World War but South Korea began to grow rapidly in the 1960s. It then explains that the country has sustained growth while undergoing recurring crises, examining three conditions for sustaining growth: macroeconomic management, structural transformation, and social conflict management. While doing so, the book interprets some important subjects differently from the previous studies; it also explains some other important subjects they have not covered sufficiently. The book finally discusses questions for the future briefly.

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# The Tortuous Path of South Korean Economic Development

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## Preface and Acknowledgments

This book explains the economic development of South Korea as it has unfolded, from the beginning of Korean history to the present, mainly focusing on the period following the 1960s when the economy began to grow rapidly. The title *Tortuous Path* has been chosen to highlight the fact that, while the country's economic development is a great success story, it has not been a smooth process, but one accompanied by twists and turns.

I have written this book thinking that, though much ink has been spilled over the subject, it can still make some scholarly contribution. The book tries to interpret economic development in historical perspective; it tries to explain the development process from the 1960s with a consistent framework about growth and crises. The book also tries to explain some important subjects differently from the existing studies and discuss some subjects they have not covered sufficiently.

I have tried to keep the economic analysis in the book as non-technical as possible. There is only one simple equation presented in the book. I have mainly used narratives, citing the statistical numbers for economic variables when necessary. In cases where showing the trend of economic variables is important, I have used more figures than tables because figures show summary trends better, especially when the data have long time series.

I have benefited from the discussions and comments of many of my colleagues made in the conferences and seminars where the ideas for the book were presented. I thank those who helped me obtain unpublished data, including the researchers at the Bank of Korea and the Korea Institute for Industrial Economics & Trade. I especially thank the anonymous readers of the manuscript during the review process of the book, who read it carefully and made constructive

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## Notes on the Romanization of the Korean Language

The romanization of the Korean language does not conform to a single, uniform system. In the past, the McCune–Reischauer system was widely used, and many authors still follow it. However, the National Institute of Korean Language has formulated the official guideline for romanization. This book follows the guideline as the first reference. It thus places, for example, the family name before the given name in writing personal names in the text.

However, some exceptions are inevitable, mainly because the official guideline fails to consider the possibility that the same English vowel can be read in different ways. This book revises the official guideline taking this possibility into account, when it seems necessary. The book thus retains, for example, the conventional spelling of the Korean family name Lee rather than changing it to Li following the official guideline.

A related problem is how to spell internationally known Korean words. This book retains the well-known words like chaebol, and the spelling of the brand names of Korean firms like Hyundai and Samsung, which would have to be spelled in a different way according to the official guideline. It also retains the spelling of Korean authors' English names appearing in the referenced scholarly journals and books, regardless of whether they are in line with the official guideline. The book also does not follow the official guideline in writing the personal names of internationally known Koreans. The alternative guideline here is the spelling from Wikipedia, if the personal names appear there. It is arbitrary, but may help the readers to identify the referenced persons. Furthermore, for the purpose of consistency, the book follows Wikipedia and places a hyphen between

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the syllables of the given names for the persons who do not appear on Wikipedia.

In the end, the exceptions outnumber the regular cases that follow the official guideline, but this is more or less inevitable given the current changing state of the romanization of the Korean language in the globalized world.

## Abbreviations

BOK	Bank of Korea
CPI	Consumer price Index
DTI	Debt-to-Income
ERP	Effective Rate of Protection
FDI	Foreign Direct Investment
FKTU	Federation of Korean Trade Unions
HCI	Heavy and Chemical Industry
HEG	High Economic Growth
ICT	Information and Communication Technology
KCTU	Korean Confederation of Trade Unions
KOSDAQ	Korea Securities Dealers Automated Quotation
LTV	Loan-to-Value
NBFIs	Non-Banking Financial Institutions
NIIP	Net International Investment Position
NPLs	Non-Performing Loans
NPS	National Pension Service
NSO	National Statistical Office
PPP	Purchasing Power Parity
REER	Real Effective Exchange Rate
SMEs	Small and Medium-Sized Enterprises
TIs	Targeted Industries
TFR	Total Fertility Rate
UIs	Untargeted Industries