Political Culture, Democracy and the Economic Crisis in Korea

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The current economic crisis reflects the failure of the political system as much as the economic system. It is the job of the former to correct the problems of the latter. But the Korean political system failed to carry out long overdue reforms and contain the unfolding financial crisis. The purpose of this paper is to investigate the direction of political reform in Korea in view of the failures of the political system to address the economic problems before the crisis. Among the many political problems confronting Korea, I have highlighted the role of political culture. Emphasis on culture does not mean that institutional reforms are unimportant. By all means, Korea should continue institutional reforms. But institutional reforms by themselves are insufficient to bring about the desired change in government performance. There is now a significant gap between cultural values and practices, and the formal rules of political institutions. Unless this gap is reduced, Korea will continue to suffer from political gridlock and stalemate, which was one of the leading causes for the economic crisis.

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I. INTRODUCTION

Political reform is urgent simply because the current political system is not working for Korea. Since the Korean government barely averted an economic collapse with the help of the International Monetary Fund and the rescheduling of commercial debts with creditor banks, the government has been frustratingly slow to implement financial, labor and corporate restructuring programs necessary to get Korea back on its feet economically. Concerns about the pace of economic reform in Korea are mounting abroad. Increasingly, foreign observers point to the political system as the root cause of the problem. *Business Week*, for example, warns that "old-style politics could sink the New Korea."¹

It is rather unfortunate that it is only recently that Korea's economic ills have been attributed to its political system. Even a casual observation of Korean economic history in the last ten years shows that Korea's economic peril has decidedly political roots. In fact, I argue in another paper (Mo and Moon, 1998), that the immaturity of Korean democracy has been one of the important causes (certainly, the one most "underrated" by analysts) of the current economic crisis. The argument in that paper is summarized below.

The Korean economic crisis was caused by both external and internal factors. Externally, Korea suffered from the contagious effects of the Asian financial crisis, and earlier from a global recession in its key export industries like semiconductors. The magnitude of the recession was so severe that Korea's terms of trade reached in 1996, the lowest point since the early 1980s.

Although external shocks were significant, we cannot deny the fact that the Korean economy might have survived them, had its fundamentals been sound. The Korean economy had suffered from three inter-related structural constraints: underdeveloped financial markets, mounting foreign debts, and erosion of international competitiveness of Korean firms. The question is then whether the government could have removed or alleviated these structural constraints with appropriate policies. My answer is, yes, the government could have done better.

Granted, it is all too easy after the fact to blame the government or politicians for policy failures. Powerful economic forces, domestic as well as international, interacted to create a crisis environment. In light of their strength, it is fair to say that it would have been difficult to prevent a crisis solely with government actions. But the Korean government cannot escape responsibility for the current crisis because it had for a long time, recognized, but failed to solve, the economic problems that caused the crisis; -- i.e., financial, *chaebol*, and labor reforms had been high on the national economic agenda but not implemented properly. We can discern common patterns in various reform efforts. First, no fundamental reforms were achieved. The government had made progress in some areas, especially labor reform in 1997, but even, some key issues, including the laws regulating layoffs, were left unresolved. Under international pressure, the government undertook several financial liberalization and deregulation measures, but the Korean financial

¹ *Business Week*, March 16, 1998

market remained insulated and restricted when compared to international standards. *Chaebol* reforms were probably the least effective. Instead of using market principles, the government turned to command-and-control type of regulations to contain the expansion of the *chaebol* -- e.g., forced dispersion of ownership and specialization of business lines.

Second, government policies have been inconsistent and incoherent. In almost every area of reform, the government has oscillated between implementing reform policies and maintaining the status quo. Fluctuation of reform efforts has followed administrative and electoral cycles. New governments began with ambitious reform projects, but ended up back pedalling by the end of their administration. A typical example was the labor policy. Both Presidents Roh Tae Woo and Kim Young Sam espoused or tolerated reformist labor policies in the beginning, but soon reverted to pro-business positions. Policy toward the *chaebol* has exhibited a more complicated pattern. The governments of Roh Tae Woo and Kim Young Sam have exerted continuous pressure on the *chaebol*, experimenting with various measures designed to moderate their market power and enhance their competitiveness. But the intensity of their reform efforts has not been uniform; it tended to rise after an election, but receded as another election approached.

Third, the reform process has been top-down. Major reform acts by Kim Young Sam, such as the real name financial transaction system, were proclaimed unilaterally with executive order without much deliberation and debate. Many attribute this pattern to Kim Young Sam's personal style. But the top-down approach reflects more troubling aspects of political process under democracy. That is, top-down reforms may have been the only alternative when groups with stakeholders could not negotiate an agreement on their own. Since democratization began in 1987, the government experimented with various mechanisms to foster dialogue and cooperation between labor and management; but labor and management could not come to an agreement on their own. We see the same pattern with *chaebol* reforms. Even after ten years of debate, the government is still searching for a viable *chaebol* policy. Financial market reforms have not been much different; the commissions set up to facilitate compromise and agreement did not produce lasting reforms. A typical example is the rivalry between the Ministry of Finance and Economy and the Bank of Korea over primacy in monetary and banking policy. This conflict first came to the fore in 1989, and flared up even in the middle of the economic crisis in November 1997.

The picture that we have depicted thus far of Korean political process is one of paralysis and gridlock. This is particularly true if the interests of powerful groups are threatened. In their effort to maximize their private interests, they play a game of attrition against their opponents instead of trying to find a negotiated settlement. This failure of dispute resolution has been the most salient feature of the Korean democratic experience and explains why Korea has failed to reform its economic system.

Government paralysis and gridlock also played an important role in the government handling of the economic crisis. As discussed above, policy makers made several mistakes. Some of the mistakes were a matter of judgment and not a symptom of gridlock. For example, the decision to defend the Korean won throughout 1997 had its own justifica-

tions and could not be dismissed based only on *ex post* evidence. The Kia debacle, however, was a typical case of gridlock. Kia (its unions and management), creditor banks, and the government were powerful actors and the stakes were high for all. In pursuit of narrow self-interest, they entrenched themselves in their positions and failed to make concessions.

During the critical month of November in 1997, the government was paralyzed for two weeks by bureaucratic infighting over control of monetary policy and the supervision of financial institutions. The main antagonists were the Ministry of Finance and Economy and the Bank of Korea. What was remarkable about the whole episode was that the dispute had gone on for almost ten years and had come back to haunt the government at a time of crisis.

To summarize, the current crisis reflects the failure of the political system as much as the economic system. It is the job of the former to correct the problems of the latter. But the Korean political system failed to carry out long overdue reforms and contain the unfolding financial crisis. The purpose of this paper is to investigate the direction of political reform in Korea in view of the failures of the political system to address the economic problems before the crisis. I will do this by reviewing and criticizing the current discourses on political reform in the next section. Afterwards, I will examine Korea's political regime, institutions and culture as possible targets of political reform. I will pay particular attention to political culture and suggest an agenda for culture shift.

II. CURRENT DEBATES ON POLITICAL REFORM

As far as we can remember, political reform has always been a pressing issue in Korea. Before 1987, the overriding goal of political reformers had been democracy. Once democratization began, however, the reformist agenda lost coherence and direction. Political reform debate since then has been driven not by national interest and broad consensus but by narrow self-interest or partisan views of national interest, giving rise to divergent, often conflicting views of political reform.

The most persistent and influential groups in the political reform debate have been former pro-democracy groups, consisting mainly of students, clergy, and dissidents. When democratization finally began in 1987, pro-democracy groups were excluded from the formal negotiations over the terms of transition and the subsequent reorganization of the political system. To pro-democracy groups, the events in 1987 established a procedural democracy which they considered as only a first step toward the attainment of "true" democracy. The substantive democracy that they envisioned was one in which the interests of socially-disadvantaged groups like workers and the poor have properly represented in policy outcomes as well as political processes.

Opposition political parties have approached the problem of political reform from the perspective of their political interests. It is hardly an exaggeration to argue that former opposition political leaders like Kim Young Sam and Kim Dae-jung never considered political reform complete until they themselves won power. Kim Young Sam proclaimed

his government to be the first civilian government, implying that his was the first "truly" democratic government. Kim Dae-jung was not much different when he emphasized that he was the first opposition candidate who won the presidential election as if the transfer of power between two political parties represented the true test of democracy. Given these tendencies to use political reform debate to promote private or narrow interests, it is hard not to be skeptical about the motivation of Kim Jong Pil in promoting a parliamentary system as a solution for Korea's political problems.

More recently, the term "political reform" has become a synonym for campaign finance reform. By any measure, the costs of campaigns and elections are enormous in Korea. Estimates of total campaign expenditures during the 1992 presidential election alone ranged from US \$1.2 to 3 billion. By comparison, the total amount of money spent in all the U.S. elections held in 1996 including presidential, congressional, and local elections was about US \$3 billion. Nevertheless, one wonders why recent debate on political reform has been framed exclusively in terms of the financial costs of elections, and not by other standards. High costs of campaigns are symptoms, not causes, of the political problems. This fixation on monetary expenditures diverts our attention from other, more important defects of Korean democracy. In a country of Korea's size, US \$1 or 2 billion is not a large sum of money, at least not large enough to bring about an economic crisis. It is not a coincidence that campaigns to weaken the role of money politics have been led by the *chaebol* who find it increasingly costly to sustain the level of political and campaign contributions desired by politicians. As providers of campaign funds, the *chaebol* are particularly sensitive to the amount of money that they have to contribute to politicians.

As we can see so far, the debate on political reform has not been based on careful analysis of the relationship between political reform and government performance, and in particular, economic performance. The *chaebol* and media like to characterize the current political system as "high cost, low efficiency" (Mo, 1997). But they are silent about how and why the political system produces inefficient outcomes. We need a reform program with strong theoretical and empirical foundations. We should not repeat the mistakes of bureaucratic reform; it is hard to think of any pressing problems or needs that can justify frequent bureaucratic reorganizations made in the name of government reform. One ironic "benefit" of the economic crisis has been to expose the structural weaknesses of the Korean political system, as well as its economy, for everyone to see. Since it has already been said that the failures of the Korean political system had contributed to the economic crisis, we proceed to the next question: Why did the Korean political system fail?

III. CAUSES OF POLITICAL BREAKDOWN: LEADERSHIP, REGIME, INSTITUTIONS, OR CULTURE?

The success of a political system depends on its ability to produce good policies. But the production or supply of good policies is not automatic because they typically face strong opposition from those who are positioned to lose from them. An efficient political

system means by definition that such obstacles are overcome reasonably well. If a political system is not run efficiently, that is, good governance is not attained, we can think of four possible reasons for it, leadership, regime type, institutions, and political culture. These factors are not mutually exclusive and may interact together even though their relative significance may differ.

If we adopt the view that institutional and cultural variables intermediate interest group competition, we can see that the mere presence of vested interests against reforms does not explain reform failures. Although many Koreans blame the unwillingness of the government and the business elite for clinging onto their private interest and privileges which caused the defeat of most reform initiatives, such resistance is, in a sense, expected. Therefore, instead of blaming the vested interests, we should ask why they could not be overcome.

Leadership

The most popular answer seems to be leadership or lack thereof. Many attribute government failures such as political gridlock, bureaucratic politics, and ineffectual monitoring to incompetent executive leadership (Moon and Kim, forthcoming). Despite democratic institutional constraints, the president in South Korea is expected to play an important role in formulating, monitoring, and implementing public policies. It is more so because of the historical legacy of an imperial presidency, in which power is heavily concentrated in the hands of the president and his staff. Presidents Roh Tae Woo and Kim Young Sam were not known to have strong political and economic convictions and thus became indecisive when faced with difficult policy choices. In particular, President Kim Young Sam has been widely criticized for his lack of expertise, knowledge, and competence, especially on economic issues. Thus, he delegated his power and authority to his staff, but failed to monitor the formulation and implementation of economic policies. As past history illustrates, lack of executive leadership, commitment and monitoring has always ended in fierce bureaucratic fighting and policy gridlock. In view of this, Kim's dismal leadership performance can be seen as a critical catalyst, which aggravated government failures.

Although President Kim Young Sam's leadership may have contributed to the worsening of economic conditions in Korea, blaming it all on him represents wishful thinking on the part of those who believe in the leadership theory. Democracy and the rule of law are emphasized precisely because government performance cannot be decided by or does not depend on the personal characteristics of leaders. A country may get lucky with one benevolent authoritarian leader, but history shows that such benevolent rule does not last. Leadership is often a convenient excuse for not taking the time and effort to examine other determinants of government performance. Leadership is also an analytical black hole, since it is almost impossible to define, and predict the conditions under which it can be successfully exercised. For these reasons, we have no choice but to look beyond the leadership issue to find causes for government failures. Recent developments confirm this skepticism toward the leadership theory. President Kim Dae Jung, whom no one accuses

for lacking of leadership, has been unable to carry out the necessary reforms even under the conditions of national economic emergency.

Regime Type

Since Korea's economic troubles began to surface in the late 1980s, e.g., rising labor costs and inflation, it is tempting to link the two developments—i. e., democratization and the economic crisis. Indeed, democratization has brought various structural changes to the Korean economy such as the ascendance of labor unions, expansion of social welfare programs, the activation of distributive politics, and the erosion of government control of the economy (Mo and Moon, 1998). We have also seen fundamental changes in the relationships among state, capital and labor, and their relative influence on the policy-making process. Given the magnitude of the economic and political changes that Korea has experienced under democracy, it is natural to ask how the current economic crisis is related to it.

Unfortunately, it is impossible to investigate the effects of regime change on macroeconomic performance, especially, the economic crisis of 1997, because we do not know what might have happened in the absence of the regime change, that is, if the pre-1987 authoritarian regime had remained in power. We can only speculate on what might have happened under alternative regimes, e.g., an authoritarian regime or a mature and consolidated democracy. Elsewhere, I took the position that had Korean democracy been consolidated or matured sooner, it would not have produced such disastrous policy outcomes (Mo and Moon, 1998). That is, I reject the view that the process of democratic transition and consolidation is inherently less favorable to economic performance. The problem was not democracy itself, but how it was practiced in Korea.

In general, the relationship between regime type and economic performance is tenuous at best. Many theoretical arguments have been advanced as to why one regime is superior to the another in promoting economic growth. "Demo-Prosperity" theories argue that democracy enhances or is at least compatible with economic growth, since it better protects property rights and decentralizes power, while the "Demo-Disaster" school points to negative effects of democracy such as distributive demands. But there is no *a priori* reason why regime type *per se* would have significant effects on economic performance. Autocracy can, in theory, cure many ills of democracy such as excessive distributive politics, policy inconsistency and biases for consumption, but there is no guarantee that autocrats would not manage their economy for personal gains (Przeworski and Limongi, 1993). Empirical evidence is also mixed; many studies do not find statistically significant effects of regime type on economic growth.

Since good governance seems possible under either democracy or authoritarianism, we should look for a set of institutions conducive to good governance under a given regime. This does not mean that I consider this debate on regime type as a foregone conclusion. Democracy is not a value that we should protect at all cost. First of all, there is no universally accepted definition of democracy, so it is better to leave all options open. To most Koreans in 1987, democracy meant only the direct election of the president. Second, if

we find that democracy compromises other national objectives such as long-term economic development, we should be willing to adjust in the pace of democratization.

Institutions

Having shown that leadership and regime type do not explain reform failures, we are left with the other two possible sources of failure, institutional defects and Korean political culture. Let's consider institutional problems first. In 1987, Korea chose a presidential system because pro-democracy groups and opposition parties favored it over a parliamentary system that the authoritarian regime had originally suggested. They wanted a presidential system for two reasons. First, a presidential system with the direct election of the president had become a symbol of democracy, and represented a cleaner break with the authoritarian regime compared to a parliamentary system. Second, they wanted a strong and decisive national executive.

The most common problems associated with presidentialism are divided government and the "lame duck" phenomenon. During the first three years of his presidency, President Roh Tae Woo suffered from a divided government because his party failed to win a majority in the National Assembly in 1998. But the divided government did not last long. In 1990, Roh engineered a three-party merger involving his party and two opposition parties to secure a dominant position in the National Assembly. However, from 1990 to 1997, Korean presidents held a solid majority in the National Assembly. Therefore, it is difficult to attribute government failures to the problem of divided government under a presidential system.

Lame duck effects are more plausible, since President Kim Young Sam was not in a strong position to manage the deteriorating economic conditions in 1997, which was the last year of his presidency. The structural problems of the Korean economy, however, had been recognized even when President Kim enjoyed approval ratings of over 90 percent in the beginning of his administration. Therefore, I conclude that the lame duck problem was of marginal significance in accounting for government performance.

In general, it is difficult to link any political institutions to government failures, especially, in the context of the economic crisis. Some have suggested that electoral reforms such as a combination of proportional representation, and large electoral districts, are solutions to reducing the costs of elections, but I cannot think of any direct link between electoral systems and the failures of reform efforts.

Again, this does not mean that reform of political institutions should be rejected. Even though existing political institutions may not have been a significant factor in accounting for the current economic crisis, they can still be improved and reformed if that enhances Korea's long-term economic performance. As a starting point for the debate on institutional reform, let's consider Cox and McCubbins (1996), who studied the effects of political institutions on government performance. They explain why there are variations in the degree, to which the state can act decisively and it is responsive to the broad public as opposed to narrow special interests. Their main argument is that the electoral and constitutional rules of the state shape political actors' incentives and capabilities in such a way as

to determine the degrees of state decisiveness and responsiveness.

Consider the decisiveness of a political system. According to Cox and McCubbins (1996), the decisiveness of the state depends on how many branches in the government have veto power in the legislative process, and how many parties exist to control those veto gates. It is the constitution that divides powers among the different branches or levels of the government, while it is the electoral system that shapes the fragmentation of the party system. State indecisiveness results if and only if the separation of powers co-exists with the separation of purpose, that is, when there are many veto gates in the political system and many political parties competing to control them. They also argue that the privatization of public policy (e.g., rent-seeking and pork) is most likely when there is both a constitutional separation of power and an electoral separation of purpose. Although Cox and McCubbins (1996) do not apply their theory to the problem of economic growth, it has clear implications for the effects of political institutions on economic growth. Clearly, those political institutions promoting state decisiveness and responsiveness are conducive to economic growth.

The implications of Cox and McCubbins (1996) for Korea are clear. Given the fragmentation of the party system (no political party is likely to win an outright majority in any foreseeable future), the Korean political system is vulnerable to gridlock and rent-seeking if it has multiple veto gates. Therefore, Korea should consider reducing the number of veto points in the system, such as adopting a parliamentary system with a strong prime minister. The problem is, of course, that Korea has a tradition of presidentialism, and a majority of Korean citizens favor it over parliamentarism. If Korea maintains its presidential system, it can still experiment with institutional reforms such as a run-off in the presidential election, simultaneous holding of presidential and National Assembly elections, and wider use of proportional representation (Diamond, 1998). The objectives of these reform measures should be to make the government more decisive and responsive to broad national interest. What kinds of impact institutional reforms will have on the performance of Korean democracy depends on the extent to which institutional defects are undermining the proper workings of democracy. Nevertheless, I remain skeptical about the effects of institutional reforms, which are not accompanied by changes in political culture.

Political Culture

In light of the persistent failure of Korean democracy to reform under different institutional arrangements, one naturally looks to political culture for possible answers. Indeed, many scholars have questioned the viability of liberal democracy in a country like Korea, where Confucian attitudes toward power dominate political values and practices (Pye, 1985; Huntington, 1991). Recent empirical studies on Korean political culture confirm the persistence of authoritarian values among the elite as well as the public. Based on survey data, Han and Fuh (1984) find that only 30 percent of Korean citizens as have both modern social values, and democratic values and attitudes (display of trust and tolerance toward others and belief in equality and rights). Shin (1998) finds that only 9 percent of

Korean voters are what he calls representative democrats, i.e., those who endorse democratic institutions and reject authoritarian solutions. Almost half of the respondents (49 percent) support democratic institutions, but refuse to reject authoritarian solutions fully. Others are strong or weak supporters of authoritarianism. While Koreans support democracy-in-principle, their support for democracy-in-action is lukewarm at best.

This ambivalent attitude toward democracy has brought a mismatch of domain between democratic outfit and authoritarian ethos. Democratic transition has not only altered political landscape by expanding space for pluralistic maneuvers by social forces, but also has fostered democratic reforms and institutional changes. However, major political actors including executive leadership, bureaucracy, the ruling National Congress for New Politics (NCNP), and even peak political organizations have not completely shed their authoritarian behavior and have been unable to settle their disputes without authoritarian "guidance." Authoritarian inertia, deeply embedded in the people and institutions, has persisted, undermining the very process of democratic consolidation, rule of law, and respect for negotiated outcomes. Failure to attain fine-tuning between democratic outfit and authoritarian ethos has deepened political and policy gridlock without producing any meaningful compromises.

IV. POLITICAL CULTURE AND DEVELOPMENT

I have argued that characteristics of Korean political culture such as authoritarianism, negotiation practices, and rule of man (as opposed to the rule of law) were largely responsible for the government failures contributing to the onset of the economic crisis. Thus, the solutions to Korea's political problems must involve some shift in culture. Exactly how we should approach the problem of cultural shift is unclear. Some try to find answers in Confucian philosophy itself, arguing that it can, if practiced correctly, present an alternative, such as a more advanced form of democracy than individualistic Western democracy (Hahn and Ryu, 1998). Others seem to believe that further democratization along the lines of social democracy will help establish democratic culture in civic society (Im, 1997). Before thinking about solutions, it seems that we should first understand the relationship between culture on the one hand, and institutions and political and economic development on the other.

² Cultural theory of democracy was popular in the 1960s because the only developing countries with a working democracy at that time appeared to be former British colonies. After the popularity of cultural theories receded in the 1970s and 1980s with the rise of elite-oriented theories of democracy, they again became popular in the late 1980s. While scholars like Inglehart (1990) deserve credit for bringing culture to the forefront of academic research, it was Asian politicians such as Lee Kwan Yew and Mahatir Mohamad who popularized the role of culture in economic and political development. The ensuing Asian values debate is still continuing to this day (Fukuyama, 1998). Too many cultural explanations are unsatisfactory. Culture is difficult to define and it is not clear whether a group, let alone a society, has collective and stable values, beliefs, and understandings that comprise their culture. Too often, culture has been offered as an explanation in a tautological manner when no good explanation could be found. Critics of cultural theories also point out that the same culture has been used to explain two contradictory phenomena. The debate on Asian values is typical. Asian values are now criticized as the basis of "crony capitalism" even though they were praised as promoting stable, long-term economic relations among economic actors in the not so distant past (Fukuyama, 1998).

Mainstream studies about political culture have examined the link between cultural characteristics and the development of democracy with a focus on the notion of democratic values and attitudes (Diamond, 1993). It has been argued that the development and maintenance of democracy needs, or at least would be enhanced by, the presence of some cultural orientations such as moderation, cooperation, bargaining, and accommodation among political elites. "These elements of political culture are needed to cope with one of the central dilemmas of democracy: to balance cleavage and conflict with the need for consensus" (Diamond, 1993). From this point of view, what is needed is cultural re-orientations, which promote democracy and as a result, contribute to enhanced economic performance.

But it seems that there are more than one way in which political culture can affect national economic performance. To find out these other links, we must understand how political culture affects actual government policies. Economists and game theorists offer their perspectives on the role of culture. To succeed, a society must resolve ubiquitous collective action problems caused by the existence of uncertainty and transaction costs. When there is too much uncertainty, formal institutions are not comprehensive or flexible enough to solve collective action problems. To cope with a high level of uncertainty or unforeseen contingencies, a society or organization has to come up with a loose set of norms and beliefs, called culture (Kreps, 1990). According to this perspective, the role of culture is instrumental and functional: it is designed to promote efficient transactions. A related, but slightly different idea is viewing culture as focal points, natural reference points around which actors' expectations converge. When there are more than one mutually beneficial agreement and actors cannot decide which one to choose, they have to coordinate with each other. When explicit coordination is unfeasible or prohibitively expensive, it helps to have focal points, toward which actors will gravitate without explicit communication. According to this perspective, the role of culture in promoting efficient transactions is limited to guiding the actors' expectations; culture does not change the incentive structure of relationships. Seen this way, political culture contributes to the choice of better public policies by helping political actors resolve their collective action problems.

What really matters to national performance, however, may be not cultural characteristics *per se* but the degree of cultural consensus. A nation may be successful when its culture is coherent and adaptable, enabling it to define and attain its goals, and when there is the least distance between the prevailing culture and the formal rules and regulations of its institutions.³ When a country has conflicting cultural values with one set dominating actual practices and the other shaping the formal rules and regulations,—i.e., its culture is incoherent and inconsistent— it fails to perform successfully.

³ This hypothesis is adapted from Lodge (1987) who posits the relationship between national ideology and competitiveness in terms of the distance between the prevailing ideology and the actual practices of the country's institutions.

TABLE 1. CULTURE AND NATIONAL PERFORMANCE

	Before	Now
culture	nationalism (catch-up) anti-communism authoritarianism · personal power and rule of man · individual moral rectitude idealism and lack of pragmatism · avoiding confrontation among in- group members	nationalism anti-communism authoritarianism · new values · democracy · free markets
institutions	(developmental state) authoritarian government state intervention in the economy business-govt cooperation exclusion of labor pattern of corruption · coordinated · functional	(immature democracy?) procedural democracy, but authoritarian practices "reluctant" movement toward deregulation / liberalization unraveling of business / government cooperation failed inclusion of labor pattern of corruption · decentralized · money politics
characterizations	cultural consensus compatibility between culture and institutions	crisis of values incompatibility between culture and institutions (old values dominate the actual practices, but new values have shaped the institutions)
reform agenda		change institutions to make them more compatible with the prevailing culture change traditional values and practices find a "happy" medium with the simultaneous reforms of institutions and culture

If we apply this hypothesis to Korea, we can see why Korea has suffered from government paralysis and economic troubles (Table 1). The term, "the developmental," state is often used to describe the institutional arrangements of the Korean political economy during years of rapid economic growth. We often overlook the fact that Korean traditional political values were compatible with four main features of the developmental state, i.e., authoritarian regime, state intervention in the economy, business-government cooperation, and exclusion of labor. In the 1980s and 1990s, however, new values like democracy and free markets have become much more influential. Needless to say, these new values were not compatible with the features of the developmental state. Thus, the gap between prevailing ideologies and the formal rules and regulations of institutions began to widen. Old values and culture have dominated the actual practices, while new values have been embodied in the formal rules and regulations of institutions. According to my hypothesis, a large gap between culture and institutions may have undermined economic performance.

Where there is incompatibility in culture and institutions, there can only be three solutions. Korea should change its formal institutions to make them more compatible with prevailing culture; change the prevailing culture itself; or find some "happy" medium with simultaneous reforms of both institutions and culture. If Korea wants to follow the Western model of liberal democracy and free-market economy, it has no choice but to shed its traditional political culture. Many seem to yearn for a new Korean model of economic and political development, be it a Confucian democracy or a Scandinavian social democracy. Whichever final destination Korea is heading toward, it must undergo a slow and difficult process of cultural transformation.

V. AN AGENDA FOR CULTURAL SHIFT

Cultural analysis does not have to be normative or open-ended. Modern game theory has shown that cultural problems can be systematically studied. Its basic message is that like all other political phenomena, culture can be a result of individual interests and incentives. If so, it can be changed and shaped with appropriate incentives. If we fail to explain the emergence and evolution of culture, understanding culture has only intellectual value, and not practical and prescriptive value.

A country's culture, in a way, represents the body of knowledge and understanding that it has accumulated over a long time, so it is unlikely to change easily. Thus, it may take a crisis to change the culture in any meaningful way. One line of research that scholars may pay attention with regard to the evolution of national culture is based on game-theoretic models of emergence of cooperative norms (Axelrod, 1984). Decisions to cooperate are largely a function of political actors' individual incentives, i.e., the cost and benefit of cooperation. But when a large number of people are involved, collective monitoring and enforcement of a cooperative agreement becomes crucial, and the prevailing norms and culture within the group are an important determinant for successfully overcoming the collective action problems. Norms and culture themselves are products of individual

choice, and research shows the role of "deviants" in the emergence of cooperative norms. If there is a critical mass of reformers or deviants, cooperative norms can emerge endogenously.

TABLE 2. AN AGENDA FOR CULTURAL REFORM

	Illegal practices	Legal, but traditional practices
	<ul style="list-style-type: none"> acts of corruption violations of election laws illegal labor disputes abuses of power and failure to discharge duties 	<ul style="list-style-type: none"> lack of behavioral requisites for democracy (tolerance, moderation, a willingness to compromise, and pragmatism)
enforcement / implementation	<ul style="list-style-type: none"> to empower anti-corruption bodies to deploy citizen groups and media as watch-dogs to encourage investigative journalism 	
legalization or accommodation of traditional practices	<ul style="list-style-type: none"> legalize some forms of rice-cake money to lift limits on campaign expenditures 	<ul style="list-style-type: none"> to promote positive functions of traditional practices
promote agents of change	<ul style="list-style-type: none"> to empower NGOs corruption ratings/index training and education business conduct (codes of business ethics and advocacy advertising) 	<ul style="list-style-type: none"> to empower NGOs corruption ratings/index training and education business conduct (codes of business ethics and advocacy advertising)
improve quality of reform debate	<ul style="list-style-type: none"> research dissemination of research findings and information public forums media watch to discourage yellow journalism and demands for finding scapegoats 	<ul style="list-style-type: none"> research dissemination of research findings and information public forums media watch to discourage yellow journalism and demands for finding scapegoats
national reconciliation	<ul style="list-style-type: none"> selective pardons for past infractions positive sanctions in addition to negative actions 	<ul style="list-style-type: none"> acknowledge the past contributions of traditional practices positive over negative sanctions

Although much more research needs to be done, I offer some thoughts on measures that we should take to change political culture (see Table 2). I first distinguish two categories of cultural practices, ones that are illegal under Korean law and others that are legal, but incompatible with democratic values. For the first category, enforcement of existing laws and regulations should be the focus of cultural reform, while the second category requires a more comprehensive and educational reform approach. The measures that I suggest for both categories are divided into four groups; legalizing and accommodating traditional practices; promoting agents of change; improving the quality of reform debate; and call for national reconciliation.

1. To the extent that it does not undermine the democratic nature of our political system, we should make political institutions more compatible with political culture. Cultural change is inevitably slow, and we should adapt to the transition by reducing transitional cost. One way to reduce the costs is to move from the other end, that is, changing features of the political system. We can start by changing some of the unrealistic regulations on campaign financing such as artificially- set limits on campaign expenditures, to which no one complies (Mo, 1997).
2. We should encourage reformers to form critical masses. There are many organizations that can act as agents of change such as churches and universities. They should start educating their members on the consequences of adhering to traditional practices and values -- e.g., accepting gifts and meals from political candidates.
3. Political reform debate has been highly emotional and devoid of serious, reasoned discourse. We tend to blame moral failures of individuals, and find scapegoats instead of looking for underlying structural causes. Once we recognize that it is political culture, which lies at the root of the problem, we can see why blaming others is counter productive. The role of intellectuals and media is important in this process.
4. It is urgent that we develop a more balanced view of our past practices in order to build political support for reform. As many have argued, the developmental state represented an "optimal" response to the conditions that existed at that time. Thus, we should recognize the contributions of old practices, while trying to adapt them to changing circumstances.

VI. CONCLUSION

I reviewed several key issues concerning the urgent problem of political reform in Korea. Among the many political problems confronting Korea, I have highlighted the role of political culture. Emphasis on culture does not mean that institutional reforms are unimportant. By all means, Korea should continue institutional reforms. But institutional reforms by themselves are insufficient to bring about the desired change in government performance. There is now a significant gap between cultural values and practices, and the formal rules of political institutions. Unless this gap is reduced, Korea will continue to suffer from political gridlock and stalemate, which was one of the leading causes for the economic crisis.

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