INSTITUTIONS, INTERESTS, AND THE POST-IMF STRUCTURAL ADJUSTMENTS IN KOREA**

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Abstract: The role of the Korean state in structural adjustments after the economic crisis of 1997 has not been much different from the economic management style of the developmental state in the past. The state's intervention in structural adjustments of the corporate and financial sectors after the currency crisis relied on the conventional approaches of the developmental state. Compared to other countries that went through similar currency crises, Korea has efficiently performed structural adjustments. The main reasons to make structural adjustments effective include the IMF's coercive institutional isomorphism toward market economy. The high autonomy and policy capabilities that the Korean state enjoys also have supported its comparative success in structural adjustments. Such a high level of state autonomy and capability has been basically supported from the Korean people on the government's economic reform propulsion in face of the recent economic crisis. The Korean state's institutional structure including the economic policy apparatus as pilot agencies and the existence of the economic technocrats with decades' experience of mercantilism also contributed to the persistence of the developmental state. And the structural adjustments conducted by the developmental state were a rational choice of major stakeholders trying to improve their individual welfare in the political market.

INTRODUCTION

Korea has experienced a severe economic crisis since the currency crisis broke out late in 1997. There have been many debates in Korea on what caused the economic crisis and how to overcome it (e.g., KPSA, 1998; 2000). Korea's "developmental state" is one of the key concepts discussed when explaining the economic crisis and attempting to find solution.1)

Most of the debaters agree that the developmental state was functional in the rapid industrialization of Korea for thirty years from the early 1960s. They suggest, however, different ideas about how the process has worked in recent economic crisis. Some point out that its economic management was dysfunctional in the new international environment, better known as globalization, and the dysfunction was the main reason to bring about the currency crisis. And others say that certain characteristics of the developmental state have nothing to do with the currency crisis, which was epidemic in many countries in South East Asia and South America. Diverse explanations on the causes of the economic crisis also suggest different ideas about the future well-integrated administrative apparatus and the power elite's strong leadership. The administrative efficiency is emphasized but such representative institutions as the national assembly and political parties are usually excluded from the policy-making process. The developmental state requires a high level state autonomy and policy capabilities.

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1) The term of the developmental state here is used to denote a state that intervenes in the market on its convenience for the national economy, though is based on private property ownership and the market economy. The goal of economic development is nationalistic and more focused on growth rather than redistribution. Developmental goals and priorities are set based on a
of Korea's developmental state. Some insist that Korea should shift to an Anglo-American style of regulatory state from the developmental state in order to achieve efficient economic development. Others say that the developmental state needs to contribute continuously to the economic and social development of Korea.

In spite of such debates on the causes of the recent economic crisis and its possible connections with the developmental state and on the future of Korea's developmental state, there are few discussions about what the Korean state has done while enforcing structural adjustments in the private and public sectors in order to overcome the economic crisis. In this paper, I argue that the role of the Korean state in structural adjustments after the economic crisis of 1997 has not been much different from the economic management style of the developmental state in the past. It is true that Korean state's economic policy has been focused on a structural adjustment to correspond with the free market economy after the currency crisis from propulsion of rapid industrialization in the past. In fact, however, the state is still playing a role of the developmental state but with different goals.

The Korean state is not only enforcing structural adjustments to overcome the economic crisis but also working on industrial policies to foster certain industry areas such as information-communication industry. The Dae-jung Kim government that launched right after the currency crisis has initiated an establishment of the so-called "knowledge-based society" and strategically supported information-communication industries. The Kim government also has been supporting venture businesses to bring up medium and small-sized enterprises. So, only the target industrial sector supported by a mercantilist approach has changed from the import substitution industries in the 1960s and the heavy chemical industries in the 1970s to the information-communication industries now. In order to prove my argument that the developmental state is remaining in Korea even after the currency crisis, however, I will focus on analyzing the Korean state's role in the process of restructuring since the 1997 currency crisis.

First, I will analyze the contents and achievements of the restructuring, focusing on the corporate and financial sectors, that the Korean state has conducted since the currency crisis. This analysis will prove that how the Korean state intervenes in the market is no different than how its developmental state worked to accomplish rapid industrialization in the past decades. The environmental and institutional factors that sustained state autonomy and capability will be analyzed. And the interests of stakeholders within the institutional structure will be analyzed. Finally, the future of Korea's developmental state will be discussed.

STRUCTURAL ADJUSTMENTS AND ECONOMIC PERFORMANCE

In November 1997, Korea faced a lack of foreign currency liquidity, and on December 3, Korean government asked the International Monetary Fund (IMF) to bail the country out. President DJ Kim won the election in mid-December 1997 and launched his government in February 1998. Since then, the Kim government has conducted structural adjustments in four areas in order to overcome the financial and economic crisis, including the financial, corporate, labor, and public sectors. The Kim government perceived that the currency crisis was caused mainly by the excessive expansion and diversification of business by Caebols or conglomerates using bank loans and corporate bonds (SERI, 2000: 54). Therefore, the corporate and financial sectors have been the main target of structural adjustments of the government.

Restructuring the Financial Sector

The Kim government's efforts for structural