



# Miracle on the Han

What are the **reasons** for Korea's  
**Economic Rise?**

# Overview

- Like other countries, Korea has experienced vast social, economic and political changes as it moved from an agricultural society to an industrial one.
- Most Koreans once worked on farms or in farm-related jobs. There were no industries in a pre-industrial society.
- After the Korean War, factories replaced farms and farmers became factory workers
- Urban areas grew rapidly and these cities are now full of high rise apartments.
- International trade, global economic interdependence and various financial crises have brought even more economic and political changes.

# What factors contributed to Korea's rise?

- Education
- Government Economic Planning
- Foreign Aid
- The Labor Force
- The Chaebol-Industrialization Organization
- The World Economic Climate

# Education

- Some historians argue education as the major factor in economic growth.
- They point out that ***Confucianism***, with its strong emphasis on education, has been an important part of Korean culture.
- Even during the Korean War, parents tried to keep schools open.
- Today's high literacy rate in Korea means the labor force and management are able to adapt quickly to new technologies and business opportunities

# Government Economic Planning

- The Korean government, working with industry, made several five(5) year plans to focus on economic development.
- First, it set goals in **light manufacturing**, like textiles, using Korea's labor force.
- Then, it focused on **heavy industry**, like cars and shipbuilding.
- In Stage 3, Koreans have moved into the fields of **high technology** and **communications**.
- Thus, Korea has followed a plan of economic development common to most industrialized nations

# Foreign Aid (\$)

- The United States and the United Nations provided substantial economic aid to Korea. The U.S. alone contributed **\$12.3 billion** from 1945 to 1976.
- Further, the stationing of U.S. troops in South Korea eased the burden of financing a larger South Korean army. North Korea, on the other hand, uses 20 percent of its national income (GNP) for defense while South Korea spends 12 percent.
- During the Vietnam War, South Korea sent troops to support the United States. Their wages were paid partly by the U.S. and partly by South Korea.

# The Labor Force

- After the economic collapse surrounding the Korean War, people struggled to find jobs.
- Korea attempted to shift the economy from agriculture to industry. Strict government labor laws kept workers in their jobs, often in what some historians cite as “discipline” conditions.
- Dormitories were built; Korean working days were and still are among the longest in industrial world. Wages were low, particularly for young women just entering the labor force. The Confucian ethics of hard work and contributing to the family welfare also helped build a workforce dedicated to increasing production and efficiency.

# Korea's Chaebol-Industrial Organization

- In order to make the leap from small-scale manufacturing to world industrial power, South Korea used the *chaebol*, a system of companies that were vertically integrated.
- As Andrew Carnegie had created his steel company in the 19th century in U.S. by forming companies that focused on different parts of steel making, Korean companies like Samsung and Hyundai owned similar “small bits of large finished product” companies.
- Business experience under the Japanese occupation had also given the Koreans an understanding of the Japanese *zaibatsu* organization with its links to government.

# World Economic Climate

- Korea's progress was made in a time of general world economic prosperity.
- Despite the slowdown in the 1970's due to the oil crisis, a resource that Korea lacks, South Korea expanded into world markets.
- Other nations, particularly the U.S. and European nations, had the means to buy Korean products.

# Questions

1. Discuss the **factors** that have contributed to the **rise** of the **Korean economy**.
2. Present arguments as to why **two(2)** of these **factors may not be** significant reasons for explaining Korea's economic rise.