CHAPTER 11

Better Democracy, Better Economic Growth? South Korea

Introduction

On December 19, 2007, Lee Myung Bak and the Hannara Party ended a "lost decade" for conservatives in Korea and initiated the era of neoconservative rule. The inauguration of the Lee government meant that the democratic consolidation process was completed in Korea. As discussed in earlier chapters, according to Huntington, a new democracy can be said to be consolidated when there are two turnovers of government. In that sense Korea has passed Huntington's test: in 1997 Kim Dae Jung was elected president in the first peaceful transfer of power among the new democracies of East Asia, ten years after the transition of 1987. In 2007, Korean conservatives made the second peaceful transition after ten years of liberal governance.

Since 1987, democracy in Korea has been gradually, but continuously consolidating. In December 1987—for the first time since 1972—the Korean people directly elected their president and formed a cabinet dependent on electoral results. The Roh Tae Woo government restored the freedoms of the press, assembly, and association. President Kim Young Sam established firm civilian control over the military, sending two military-turned-civilian presidents to jail for their wrongdoings while in office. This

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rectification of past history of the authoritarian period became the model for demilitarizing Korean politics and establishing justice by punishing wrongdoing, torture, and other human rights transgressions by the authoritarian regimes.

The subsequent Kim Dae Jung government contributed a great deal to the development of Korean democracy beyond the first peaceful transfer of power in East Asia. President Kim established an independent Human Rights Commission to protect the human, political, and civil rights of ordinary citizens; saved a fragile democracy from the severe economic crisis originating from Thailand and Indonesia in late 1997; supported the information technology (IT) industry as a source of economic growth for the next generation; and speedily built a robust IT infrastructure. Under Kim, the growth of the economy began to speed up.

The next president, Roh Moo Hyun, was considerably indebted to the emerging online civil society. Citizens communicated through the Internet, mobile phones, MP3 players, and laptops. They used these new technologies to mobilize support groups for Roh, campaign for him, and gather political contributions online. In 2004, during his tenure, Freedom House upgraded Korea to the highest level by giving it a score of 1 in political rights, only 11 years after it was assessed to be a free country in 1993.

Today, very few analysts would question whether Korea has consolidated its democracy. The main question now is whether the quality of democracy in Korea has been improving or deteriorating. In this chapter, I will first review the qualities of Korean democracy using the dimensions identified by Morlino: rule of law, electoral accountability, interinstitutional accountability, participation, competition, freedom, equality, and responsiveness. Following this, I will consider the key features of, and future prospects for, the quality of democracy in Korea.

The Empirical Findings

Korea is one of the very few emerging democracies that has succeeded in upgrading itself sufficiently to be considered a "full democracy." According to the Democracy Index published by the Economist Intelligence Unit (EIU), between 2006 and 2008 Korea moved from being a "flawed democracy" to the status of "full democracy," joining a small group of 30 advanced democracies. All other East Asian new democracies, including Taiwan, continue to be categorized as flawed.

Compared to democratic developments through 2006 under Roh Moo Hyun, democracy under Lee Myung Bak has improved in areas such as government effectiveness and protection of civil liberties. However, if we examine Korea for the eight qualities of democracy in Morlino's analytical framework, we find that there is regression in some areas, particularly in press freedom. I will now take each of these qualities in turn and discuss their manifestation in Korea.

Rule of Law

The rule of law is the first quality—almost a prerequisite—for a "good democracy," according to Morlino. Historically, the *Rechtstaat* preceded liberal constitutionalism and democratization. In other words, free individuals preceded the *demos* or collective citizenry (Im 2000: 302–303). Unfortunately, after the 1987 democratic transition in Korea, the "rule of man" rather than the rule of law prevailed. Confucian patrimonialism was entrenched in the minds and behaviors of the politicians that led democracy after the transition. When democratically elected leaders applied laws in favor of their protégés and to the disadvantage of their opponents, law-making, law-implementing, and law-adjudicating could not be made routine, and the rule of law could not be institutionalized.

From the moment of its inauguration, the Lee Myung Bak government emphasized the rule of law. However, when it talked about the "rule of law," this was not actually the rule *of* law in the liberal constitutionalist sense but more the rule *by* law taught and promoted by ancient Chinese "legalists" (*fa jia*) like Han Feizi, Shang Yang, and Li Si in the Warring State Period (453–221 BC), and Lee Kwan Yew of Singapore in modern times. While the Chinese legalists argued for a strict application of laws without exception, firm enforcement, and voluntary obeisance to laws, they said nothing about protecting citizens' rights through law, or about protecting human rights.

In contrast to the legalist rule *by* law, the spirit of the rule *of* law is to limit the power of the state in order to guarantee civil liberties and civil society's autonomy; to apply the constitution to protect civil society; and to institutionalize the mechanisms of checking the state so that it acts within the boundaries that laws define. When the system is rule *by* law, politicians rely on politicized judicial institutions (courts and prosecutors); legitimize the legal application of partisan government policies; and find legal justification for the transgression of civil liberties. Rule *by* law can

expand the judicialization of politics and what Ginsberg and Shefter (1999) called "politics by other means." Judges and prosecutors are not delegated power by the people through elections. Nor, to make things worse, are they forced to be accountable to the people through elections. If judges and prosecutors replace in authority the politicians to whom the people have delegated power, the foundations of liberal democracy will crumble. In terms of the rule *of* law, Korean democracy under the Lee government has a long way to go.

The inadequacy of the rule of law in South Korea is confirmed by the popular perception of it as detected by the East Asian Barometer 2003 (see Shin and Chu 2004). While 49% of Koreans thought the presidential office tends to follow rather than break laws, only 17% thought that members of the National Assembly followed the law. Most Koreans regard neither the presidential office nor the National Assembly to be fully law-abiding institutions.

If we analyze the rule of law on the basis of the World Bank's World Governance Indicators (WGI)[1]—which can average from −2.5 to +2.5 (higher scores corresponding to better outcomes)—in South Korea this variable reached its highest point of 0.90 in 2007, but by 2008 it had dropped to 0.79 (see Fig. 11.1).

The rule of law can be evaluated more precisely on the basis of a number of subdimensions, the most important being individual security and

Fig. 11.1 Rule of law. (Source: Governance Matters 2009, "Worldwide Governance Indicators (WGI)")

civil order, institutional and administrative capacity, and effective protection against corruption. Thus, we first consider individual security and civil order on the basis of Cingranelli's PHYSINT (physical integrity variable), which ranges from 0, indicating no respect for physical integrity, to 8, indicating full government respect for physical integrity. We find that respect for physical integrity is fairly high in South Korea (see Fig. 11.2).

When institutional and administrative capacity is measured on the basis of the WGI effectiveness variable, which ranges from −2.5 (very poor governance) to +2.5 (very good governance), the South Korean government is found to be fairly effective, and its effectiveness has steadily increased over time (see Fig. 11.3). With regard to effective protections against corruption, as an important dimension of the rule of law, when it is measured on the basis of the WGI control of corruption variable (which averages from −2.5 to +2.5—higher scores equaling better outcomes), Korea was improving after 2006 and was at 0.4 in 2008 (see Fig. 11.4). On the whole, these more precise analyses confirm the limits found earlier of the rule of law and demonstrate that, especially on the second and third subdimensions, the rule of law could be much improved.

Electoral and Interinstitutional Accountability

Electoral accountability can be indirectly assessed on the basis of freedom of the press. The Worldwide Press Freedom Index assesses press freedom

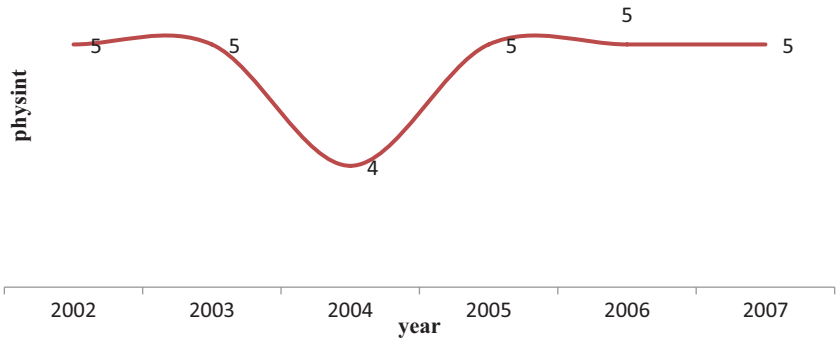

Fig. 11.2 Individual security and civil order. (Source: Cingranelli's PHYSINT (physical integrity variable). The Quality of Democracy Workshop, Country Report: South Korea 2010)

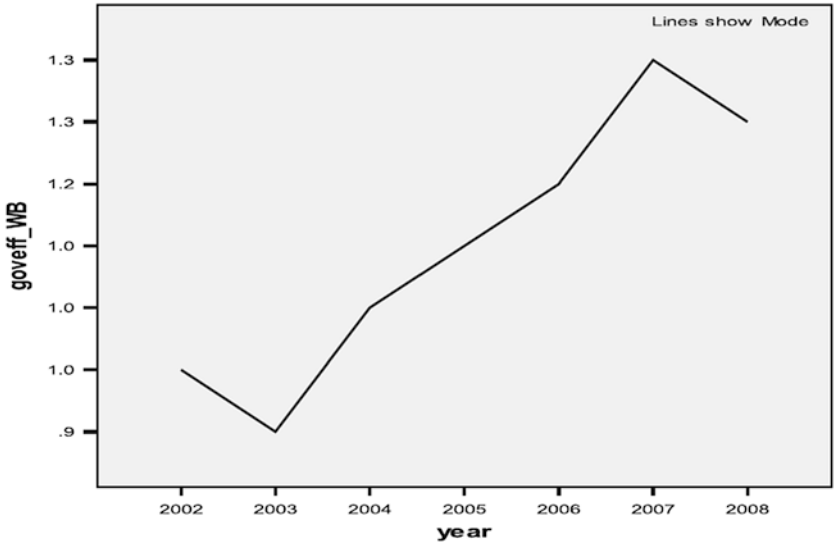

Fig. 11.3 Institutional and administrative capacity. (Source: Governance Matters 2009, "Worldwide Governance Indicators (WGI)". The Quality of Democracy Workshop, Country Report: South Korea 2010)

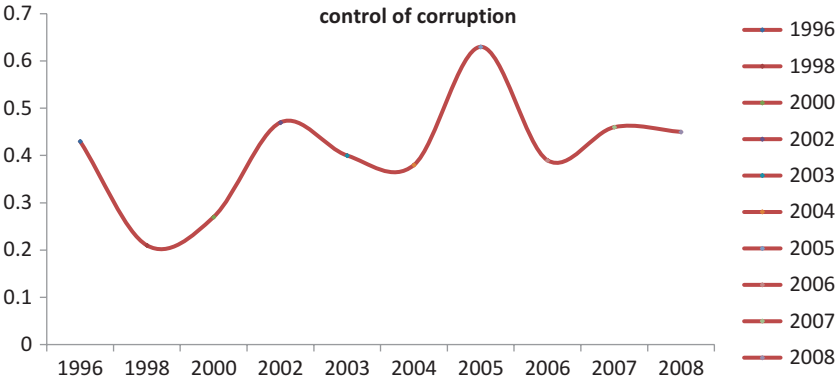

Fig. 11.4 Control of corruption. (Source: Governance Matters 2009, "Worldwide Governance Indicators (WGI)")

in about 175 countries. Under the Lee Myung Bak government, Korea's ranking on press freedom plunged by 22 places, from 47 in 2008 to 69 in 2009—the lowest among OECD countries (see Fig. 11.5).

In fact, Korea needs to make tremendous effort to enhance electoral and interinstitutional accountability. Under Lee Myung Bak, both forms of accountability have deteriorated compared to their performance under Roh Moo Hyun. Indeed, the WGI voice and accountability index, which ranges from −2.5 to +2.5, shows that for Korea, what we would consider interinstitutional accountability peaked in 2003 (0.75), and came close to that in 2004 (0.71), but has been dropping steadily since: 0.61 in 2006, 0.65 in 2007, and 0.59 in 2008. In other words, democratic accountability in Korea is lower than in emerging democracies like Taiwan, the Czech Republic, and Hungary, to say nothing of advanced democracies (see Fig. 11.6).

The process of representative democracy is completed when a sovereign people directly elect their representatives and then make them accountable to the voice of the people. Securing democratic accountability is required so that the cycle of democratic competition can not only continue but also be sustainable and durable. Yet, in Korea, while representatives are elected and are regularly punished or rewarded in the next elections, accountability remains low because many barriers prevent it from being fully implemented. First, in Korean society anticommunism has survived intact and has been an ideological entry barrier for representatives. Second, political parties have become the instruments of party bosses. Thus, elected

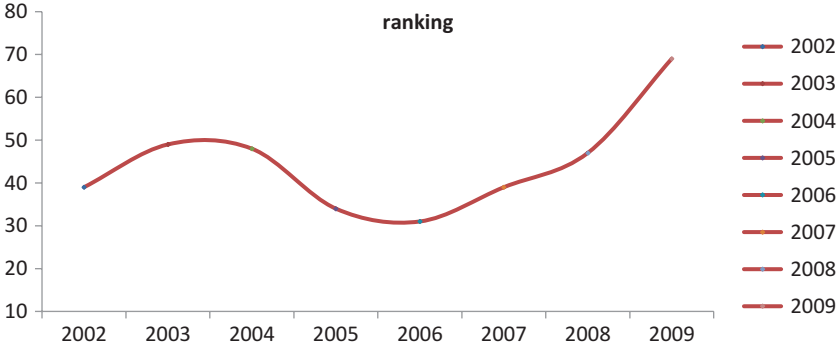

Fig. 11.5 Electoral accountability. (Source: Reporters Without Borders, Worldwide Press Freedom Index)

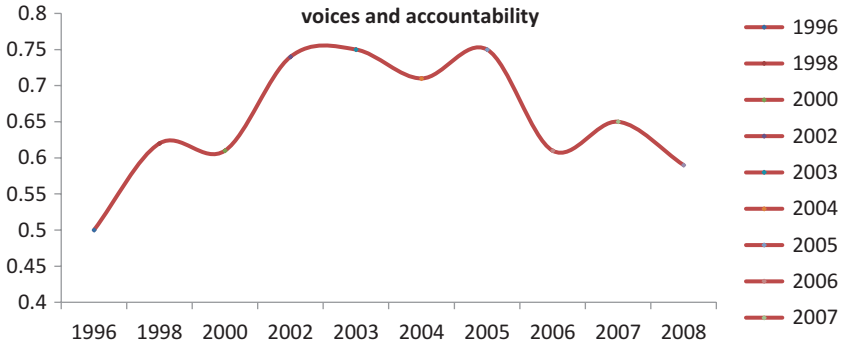

Fig. 11.6 Interinstitutional accountability. (Source: Governance Matters 2009, "Worldwide Governance Indicators (WGI)")

representatives listen to the voices of their bosses and not of their constituents. Third, political forces have built a "cartel of elites" through "competitive collusion."

Thus, the main reasons accountability through elections has not worked are the creation of a political oligopoly, and the distortion of the political market by established politicians and political parties. Parties have built up a de facto one-party dominance in their home regions by mobilizing regional sentiment and regional animosity. Thus, political newcomers have to overcome numerous barriers and disadvantages on their path to fair and competitive elections. For example, newcomers have been prohibited from campaigning in open spaces, collecting political contributions, and engaging in online communication for two months before an election. This kind of oligopolistic structure has made it very hard for the people to make their representatives accountable.

While civil society has developed very rapidly since the democratic transition in 1987, political parties are relatively underdeveloped. This underdevelopment of political society creates a serious lag in which politics is not in command but is following the paths that economic and civil society have already trodden. We need other ways to enhance accountability.

Broadly speaking, there are four processes or steps through which to secure true accountability (Schedler 1999: 333–359). First, through reform from within, it is possible to secure and reinforce interinstitutional accountability among political parties, parliaments, and courts. Through mutual checks and monitoring, representative organizations can monitor

illegal activities, corruption, and sabotage, forcing their representatives in government to serve the interests of the people, and not of highly organized private pressure groups with lobbying power (O'Donnell 1999). Parliament must strengthen its policy-making power and do more to monitor the administration. Independent judges are also necessary for interinstitutional accountability. Opposition parties also have to make great efforts and insist on retaking power by continuously monitoring, inspecting, and, where needed, vigorously opposing government and government policies. They must also reveal not only those activities of the government that are illegal but also government policies that have failed the people.

Second, public accountability agencies are a way to enhance accountability from above. Independent agencies include the National Election Commission, which ensures the transparency of campaign donations and their use, and of the electoral process; the National Broadcasting and Communication Commission, which closely watches public media and the press; the National Audit Commission; the National Anti-Corruption Commission; and the Bank of Korea, the independent central bank in charge of monetary policy, such as interest rate policy. These independent agencies can enhance accountability from above by insisting that the government, parties, National Assembly members, and other elected representatives justify their policies and activities to the people and by punishing their illegal activities.

The third way to enhance accountability is from outside, with the help of outside forces such as international civil society, intergovernmental organizations, and foreign countries. Foreign governments, international civil society organizations such as Freedom House, Transparency International, and Reporters Without Borders can help emerging democracies set goals for building a quality democracy and give support in the form of technical assistance. They are then in a position to persuade government to accept enforcement mechanisms, such as conditionality, sanctions, and incentives to effectively and efficiently attain those goals (Diamond 2001: 7).

The fourth way to enhance accountability is from below, by civil society monitoring the government and politicians. Civil society organizations (CSOs) are nongovernmental, nonprofit intermediary organizations that act outside of family, business, and government relations. They constrain the abuse of power by the government and representatives, check illegal activities, and put them under constant public scrutiny. To give a

meaningful example, during the Lee Myung Bak administration, the intervention by pro-government Supreme Court Justice Shin Young Chul in a lower-court trial demonstrated that the independence of the judiciary was seriously impaired. The Lee government attempted to revise the Law Supporting Nongovernmental Organizations to stop government support for civil associations that criticize, check, and monitor government activities. In general, we can affirm that during these years, government activities made it harder for those associations that were critical of the government to secure accountability from below. The Law Prohibiting the Wearing of Masks in Public Demonstrations, the Act Concerning Collective Action Against Illegal Demonstrations,[2] and blocking demonstrations in public places, such as Seoul City Hall, Chunggyechun, and Kwanghwamoon Plazas, have made it more difficult for Korean civil society to check, constrain, and monitor the activities of the government, the ruling Grand National Party, the economic power of the chaebols, and big newspapers and broadcasting companies.

Participation

Political scientists have been concerned about decreasing electoral participation in both advanced and emerging democracies despite guarantees of universal suffrage; to them, lower electoral participation is evidence of a crisis of participation and thus of democracy. Korea is no exception. Since the democratic transition in 1987, political participation has gradually declined, and turnout is low for most elections. Participation can be measured through two variables: voter turnout in presidential elections and in parliamentary elections. Voter turnout in both presidential and parliamentary elections has dropped noticeably since the 1990s (see Figs. 11.7 and 11.8).

Why is Korean democracy confronting a crisis of participation? Scholars frequently attribute decreasing participation to voters having post-materialist values and culture (Inglehart 1977), political apathy, cynicism, and suspicion of political "golden circles." But in Korea, it is political circles as the "supplier" of politics that have been mainly responsible for the low turnout in post-transition elections. The National Assembly election in 2008 recorded the lowest turnout in the history of that body because political parties and candidates did not compete vigorously for people's votes by appealing to voters with attractive policies. That election was criticized as "the election without policy competition." The ruling Grand

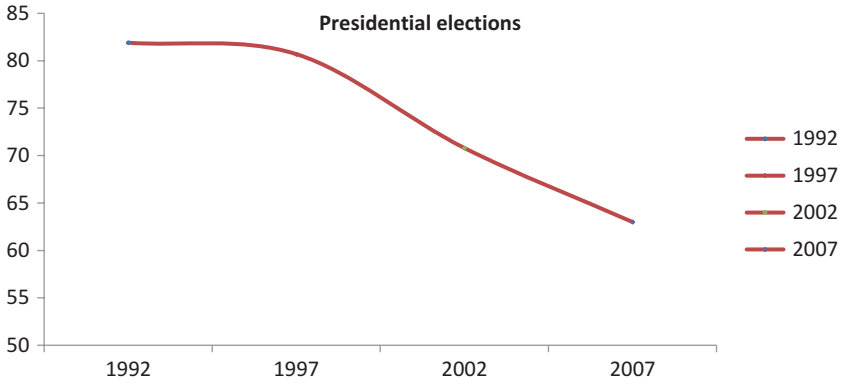

Fig. 11.7 Voter turnout in presidential elections. (Source: International Institute for Democracy and Electoral Assistance (International IDEA))

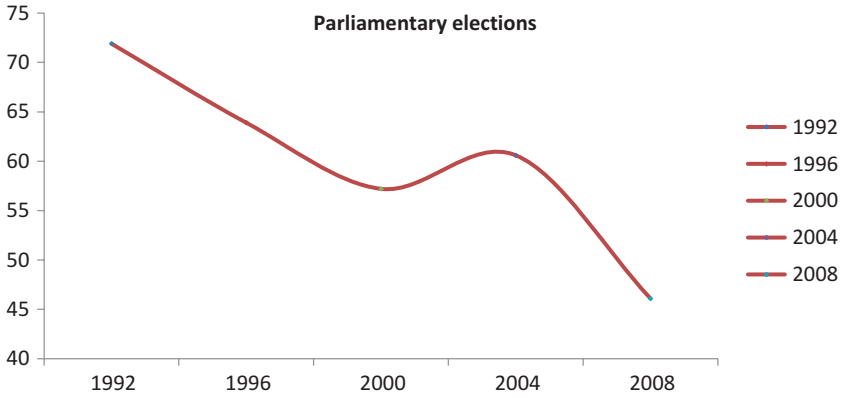

Fig. 11.8 Voter turnout in parliamentary elections. (Source: International Institute for Democracy and Electoral Assistance (International IDEA))

National Party removed the Grand Canal Project from the list of party policies, violating the principle of democratic elections that parties propose policies that enable voters to make choices. In this regard, the opposition was worse than the ruling party. The Democratic Party did not propose "small business-friendly policies" or "people-friendly policies" in response to the ruling party's "business-friendly policies" that benefit the

upper class, the government, and the ruling party. Since Korean political parties, whether in power or in opposition, do not put forward differentiated, attractive, or debatable policies, how can Korean political parties and politicians persuade people, younger voters in particular, to go to the ballot box, instead of taking a vacation on election day, which is a legal holiday?

Another factor that lowered participation in elections was limiting ways to participate. In the period leading up to the 2008 election, political parties more firmly regulated online participation, which emerged as a new means of communication and participation, than they had in 2002 and 2004. Stricter regulation of online participation discouraged younger voters, who are very good at online communication.

If the quality of Korean democracy is to be enhanced, the crisis of participation must be confronted. This is basically a task for parties of the middle class and those with a liberal/progressive orientation. In 2002 and 2004 these parties succeeded in mobilizing the younger generation, but they failed to keep their promises and provide new policies, and they maintained power for a decade after the first transfer of power in 1997. Young voters have no interest in the stale ideological policies of old politicians. Before blaming the younger generation for not voting, opposition politicians and political parties should put forward fresh alternatives to Lee Myung Bak's neoliberal policies. Internet freedom must also be extended to overcome the crisis of participation. The government and Grand National Party, blaming the Internet for their election losses in 2002 and 2004, have tried to limit communication on the Internet, online election campaigning, portals, blogs, UCC (user-created content), and e-mail messaging.

Limitations on Internet freedom have worsened since the 2008 candlelight demonstrations that opposed the imports of U.S. beef suspected of transmitting mad cow disease. The government thought that online communication in the era of Web 2.0 exacerbated the huge offline demonstrations. However, because with the IT revolution communication has moved online, and online participation is vital to raising political participation, rather than being limited, Internet freedom, cyber freedom, and Web 2.0 freedom must be extended continuously. If there are unintended and undesirable by-products and side effects, these can be redressed or lessened, but Internet freedom itself should not be repressed.

Competition

We measure political competition using two indicators: the number of parties that have won at least one seat in parliament and the difference in strength between the largest and the second-largest party. The latter is computed by subtracting the number of seats won by the second-largest party from the number won by the largest and dividing the result by the total number of parliamentary seats. With the difference expressed in percentage terms, it can be more easily compared across countries. If we see no change in the number of parties that win parliamentary seats, which between 2004 and 2008 was unchanged at 7 (see Fig. 11.9), and the difference in size between the largest and the second-largest party has increased (see Fig. 11.10), there has been no growth in competition.

However, relatively speaking, democracy has become considerably more competitive since the Three Kims Era ended. New candidate selection systems, such as open primaries, have stimulated the rise in the competitiveness of Korean politics. Without this institutional reform to select a party's presidential candidate, a candidate with a very weak base within

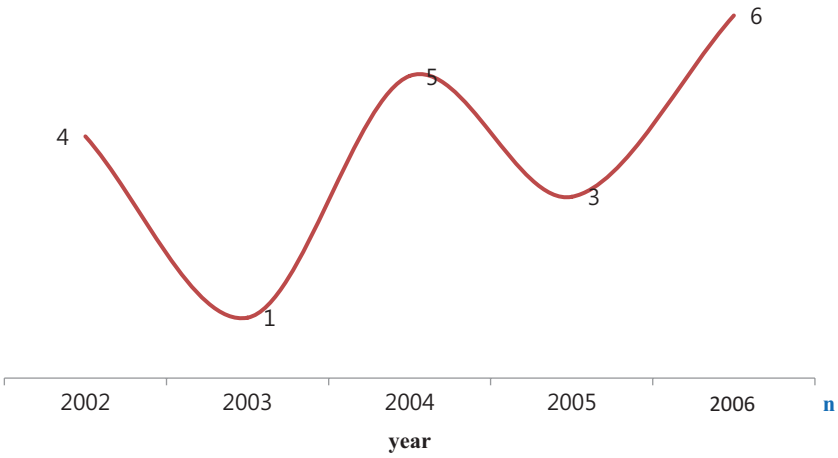

Fig. 11.9 Number of parties. (Source: The Quality of Democracy Workshop, Country Report: South Korea 2010)

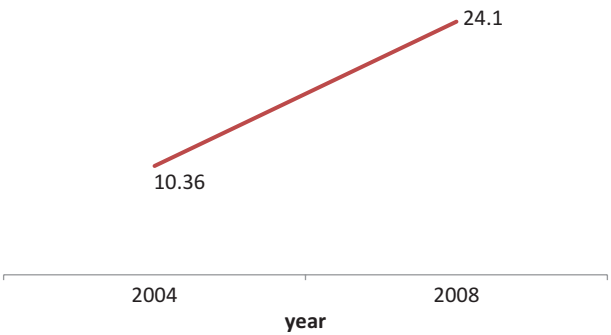

Fig. 11.10 Difference in the strength of the first and second largest party. (Source: The Quality of Democracy Workshop, Country Report: South Korea 2010)

the party, like Roh Moo Hyun, would not have become the presidential candidate and then the president.

In this respect, the 2008 National Assembly election has been criticized as a retreat from competition (Im 2008). At the core of the 1987 system or "Three Kims Politics" was a premodern backwardness in which parties became patrimonial private cliques of the three Kims, who acted like feudal lords of their home provinces. Competition was thus minimal because a one-party monopoly, or at least dominance, continued to prevail in regional party politics. The introduction of the people's primary system gave the people a voice in selecting party candidates and made politics more competitive. But the primary system disappeared in the National Assembly election in 2008. Instead of selecting candidates for president and National Assembly, voters were excluded, and the rare debates among candidates illuminated the low quality of democracy in Korea.

Freedom

This dimension is measured on the basis of Freedom House Political Rights Scores, ranging from 1 (most freedom) to 7 (least freedom). The results show that political rights have meaningfully improved in South Korea. On December 24, 2004, Freedom House upgraded Korea's score on political rights to 1, the highest possible level. The upgrade came 11

years after it previously upgraded the country's political rights score from 3 to 2 during the Kim Young Sam presidency (see Fig. 11.11). In announcing the most recent upgrade, Freedom House pointed out that the most important reason was that political rights were improved after the democratic political process was strengthened through free and fair elections, which were held immediately after the highly politicized impeachment of President Roh Moo Hyun by the Hannara Party.

CIRI's Civil Rights/Empowerment Rights Index[3] is an additive index constructed from indicators of freedom of movement, freedom of speech, workers' rights, political participation, and freedom of religion. Its values range from 0 (rights are not respected) to 10 (rights are fully respected). The CIRI index shows that respect for civil rights has increased (see Fig. 11.12).

In the same area of civil liberties, Freedom House kept the Korean score on civil liberties at 2 because the National Security Law remained in force to "authorize the arrest of South Koreans accused of espionage and/or viewed as supporting North Korea" (*World Freedom Report*, 2005). Because the wording allows a wide latitude of interpretation, the law has constrained major civil liberties, such as freedom of press, assembly, expression, and association, and restricted human rights. On the whole, however, a freedom score of 1 in political rights and 2 in civil liberties indicated that Korea was a fully free country. In East Asia, only three countries (Korea, Japan, and Taiwan) average a freedom score below 2

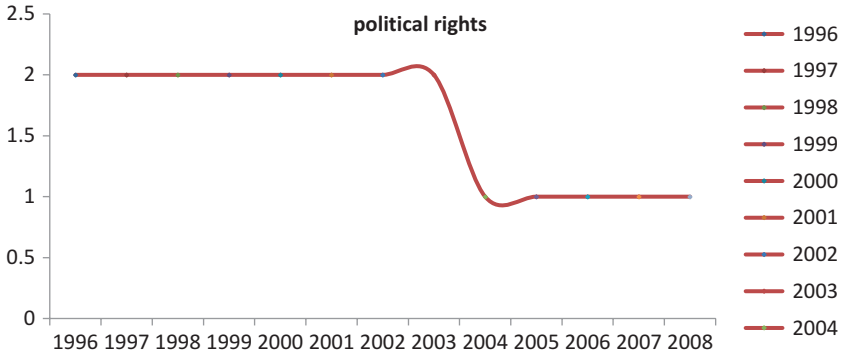

Fig. 11.11 Political rights. (Source: Freedom House, Freedom in the World (FRW))

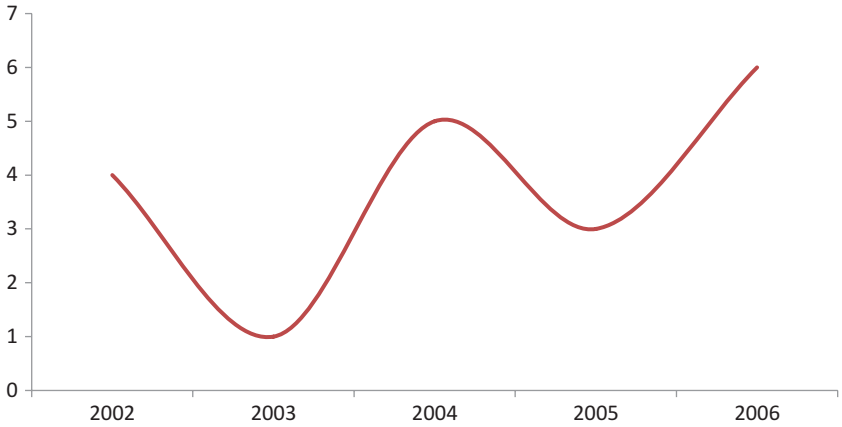

Fig. 11.12 Civil rights. (Source: CIRI's Civil Rights/Empowerment Rights Index. The Quality of Democracy Workshop, Country Report: South Korea 2010)

(actually 1.5), which is required for identification as a liberal democracy (Im 2007).

Nevertheless, Koreans need to improve their political freedom. In comparative perspective, democracies in Eastern Europe, such as the Czech Republic, Hungary, Poland, Lithuania, Latvia, and Slovenia, received the highest score of 1 in both political rights and civil liberties and crossed the threshold for membership in the club of advanced liberal democracies. Repealing laws and dissolving institutions that are the products of authoritarian regimes is absolutely necessary for entrance into the group of advanced liberal democracies. Freedom House stated explicitly that the National Security Law was the main barrier to Korea's entry into this group.

Nevertheless, the neoliberal Lee Myung Bak government tried to constrain, rather than increase, political freedom. Political freedom was seriously weakened and civil liberties repeatedly violated. In the 2008 Candlelight Demonstration, protesters chanted the first clause of the Constitution of the Republic of Korea: "The Republic of Korea is a democratic republic." They demanded freedom of press, association, assembly, and expression, which the Constitution guarantees.

There have been serious infringements on the freedom of the press, including improper laying off of reporters at YTN (the CNN of Korea); the firing of the news anchor at MBC; and pro-government news

broadcasting at KBS. If the new press law allows a media company to own newspapers and broadcasting stations at the same time, freedom of the press would be seriously threatened by big media firms managed by big chaebols and broadcasting companies dominated by such firms. Online freedom of the press has already been intimidated legally and institutionally, as the latest Reporters Without Borders Press Freedom Index recognizes.

The Constitution of the United States, Amendment No. 1, says: "Congress shall make no law respecting an establishment of religion, or prohibiting the free exercise thereof; or abridging the freedom of speech, or of the press; or the right of the people peaceably to assemble, and to petition the Government for a *redress* of grievances." Amendment No. 1 has been the most important constitutional provision for guarding liberal democracy in the United States. In the Constitution of Korea, Article 21 stipulates similar freedoms:

1. "All citizens shall enjoy freedom of speech and press and enjoy freedom of assembly and association.
2. "Licensing or censorship of speech and the press, and licensing of assembly and association, shall not be recognized.
3. "Facility standards of news services and broadcasts, and matters necessary to ensure the functions of newspapers, shall be determined by Act.
4. "Neither speech nor the press shall violate the honor or rights of other persons nor undermine public morals or social ethics. Should speech or the press violate the honor or rights of other persons, claims may be made for the damage resulting there from."

Although Article 21, clause 4, gives other persons rights to claim compensation for violation of honor or rights, and for the public's right to protect public morals and social ethics, the clause does not permit the government and legislature to make laws that limit and infringe on freedom of speech and press. In fact, it guarantees the freedom of speech and press to the level of that provided for in the U.S. Constitution. Democracy without guaranteed freedom of speech, press, assembly, and association is not a genuine liberal democracy; it can only be called an "illiberal democracy" (Zakaria 1997).

Equality

Equality is an area where liberal democracy retreated even under the progressive governments of Kim Dae Jung and Roh Moo Hyun. Nonetheless, it is a core quality of democracy that must be honored because it provides the material base that makes Korean democracy durable. After the 1997 financial crisis, the combination of economic opening and globalization launched the "1997 System" of neoliberal democracy, which lasted until the Park Geun Hye government. The transition to the neoliberal economic model from the developmental state model, however, brought economic polarization (Im 2007).

Inequality in Korea, as measured by the Gini coefficient has been gradually worsening since 1997. The income transfer to the rich has continued to a dangerous level. Since the global financial crisis in 2008, there has been a massive number of bankruptcies of small self-employed shop owners, tax reductions for the rich, and a surge in unemployment. As a result, polarization between high-income and low-income groups has worsened. But employment polarization has been deepening for much longer, since 1997. Since the East Asian financial crisis, with the introduction of labor market flexibility the number of irregular workers has rapidly increased. Until then, the percentage of irregular workers had long remained below 45%, but it increased to 55.9% (7.37 million) in 2001, 55.4% (7.84 million) in 2003, 55.9% (8.16 million) in 2004, and 56.1% (8.4 million) in 2005 (Choi 2005: 82–83).

Earned-income inequality in Korea is the second highest after the United States among the 22 OECD countries (OECD 2009). The Gini coefficient was relatively low under Park Chung Hee, but after democratization, with neoliberal policies it continuously rose, hitting 0.325 in 2008, the worst since the 1990s. The average Gini coefficient between 1990 and 1997 was 0.286, right up to the eve of the East Asian financial crisis in 1997. In 1998 it shot up to 0.316 and then to 0.320 in 1999. At 3.17 in 2000, 0.319 in 2001, and 0.312 in 2002, it illustrates that income inequality has remained high throughout the twenty-first century (Fig. 11.13).

While the Gini trend in Korea may not look as serious as in the rest of the region, it does not fully capture how much Korean society has actually become polarized in terms of economic inequality. There has been polarization of the economy between the export and the import substitution industry, between large companies and medium and small companies, and

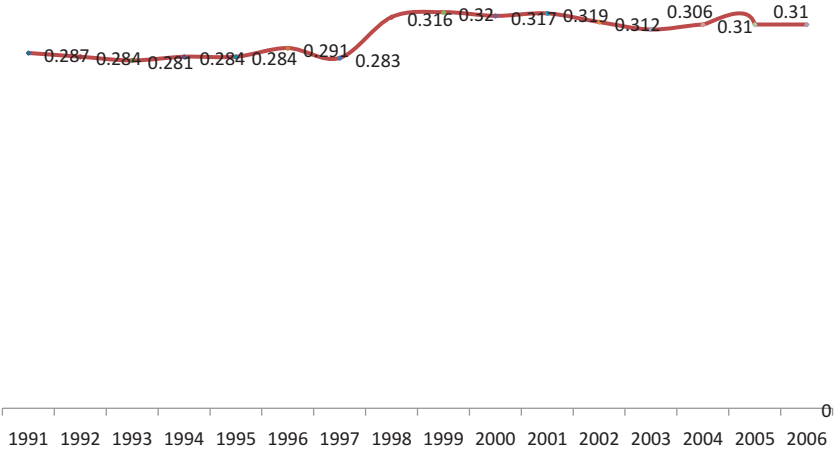

Fig. 11.13 Gini coefficient. (Source: Office of Statistics, Republic of Korea, Statistics Korea 2006 (www.kostat.go.kr))

between regular and irregular workers. The collapse of industries serving the domestic market after 1997 brought unequal growth to the export sector and the domestic consumption sector. The rapid growth of IT industries created an imbalance between them and non-IT industries. Labor market flexibility rapidly increased the number of irregular workers, polarizing the labor market. Increasing numbers of poor and rich, and a narrowing middle class, created polarization by class. The middle class is now at its lowest level in Korean history, and the demographic structure has transformed from a pyramid to a snowman or hourglass shape.

A polarized economy has produced a polarized democracy. Democracy based on a prosperous middle class has disappeared. Today, a "democracy of the rich" is confronting a "democracy of the poor." Democracy of the rich is neoliberal democracy, in which democratization is equated with economic liberalization, deregulation, a slimmed-down government, and the retreat of the state—all biased toward business. Neoliberalism destabilizes the socioeconomic base of democracy through depoliticization, a winner-take-all philosophy, and biased allocation of resources in favor of big business. Economic polarization brings about social polarization and disintegration of the middle class, which has been the cornerstone of democracy. If Korea does not become more equal, the material base of

democracy will crumble. No democracy can survive long where socioeconomic inequality is extreme.

The "business-friendly" economic policies of the Lee Myung Bak government deepened socioeconomic inequality in Korea. The new bank law that moderated the separation of finance capital and industrial capital made it possible for the big chaebols to control both bank and nonbank financial institutions, while the repeal of investment restrictions on chaebols reinforced their family ownership structure. Tax reductions for wealthy individuals and big companies countered any equal distribution of income. These economic policies violated the spirit of the Constitution, Article 119, clause 2, which aims at economic democracy by means of equal distribution of income and preventing the abuse of monopoly market status.

Since the late 1990s, democratic governments have pursued neoliberal economic reforms in response to a globalized world economy, triggering the East Asian financial crisis in 1997. Even though economic growth resumed with neoliberal reform therapy, social inequality has expanded and Korean society as a whole has been polarized by class, occupation, industry, and school. In hardening neoliberal policies, Lee Myung Bak's incumbent government deepened social polarization. In cutting taxes for the rich, this government has gone against social justice. Reducing taxes on the rich transferred to them income from the poor, exacerbating both social and income polarization; it also dismantled the thick middle class. Polarization has taken place throughout society, in every area of income, property, employment, education, industry, and class (No 2009).

While the number of both high-income and low-income jobs has increased due to the neoliberal economic restructuring and globalization, that of middle-income jobs has shrunk remarkably in comparison. While low-income jobs increased by 1,187,000, and high-income jobs by 1,448,000, middle-income jobs only increased by 266,000 (Lee 2006: 160). The fact that 1,774,000 of the middle class moved down to the lower class, and 945,000 moved upward shows that the Korean middle class as a whole has been sliding downward. The thesis that the middle class is the backbone of the Korean miracle no longer holds (Shin 2004: 261–263). Members of the middle class have been affected by employment instability ever since the progressive Kim Dae Jung government introduced new flexibility into the labor market in 1998. Forced or voluntary layoffs almost immediately became widespread. As private education costs have risen, many middle-class families have given up their dream of

moving into the upper middle class; they recognize the cold reality that the only status shift open to them is downward.

Income polarization has also generated polarization in education and educational achievements. The gap in private education costs between low-income and rich families has soared from 7.66 times in 2003 to 11.28 times in 2010. Since the financial crisis in 1997, when the unemployment rate of the poor rose and their income fell, the poor have cut their private education expenses but high-income families have maintained or even increased theirs. The worsening polarization in education is likely to jeopardize future growth (see *Hankyoreh 21*, 2010.08.26) (see Fig. 11.14).

Education is an investment in the future. Low-income families without financial resources to invest give up having children because they have to spend their resources on present consumption. Consequently, the childbirth rate has been dropping rapidly among low-income families. As the next generation inherits poverty, classism is being solidified in Korea.

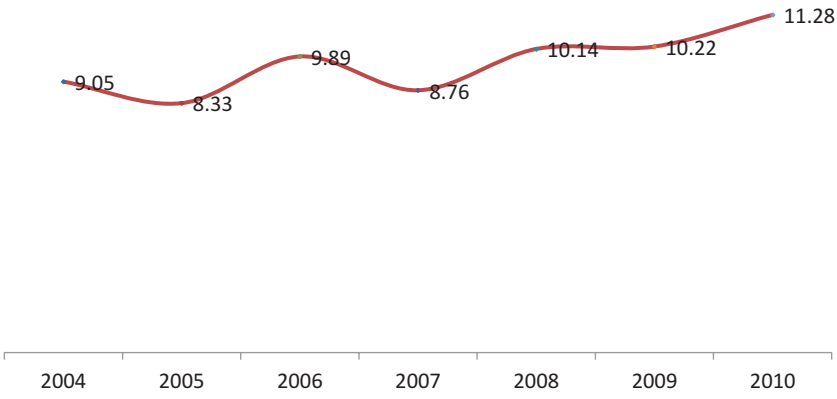

Fig. 11.14 Polarization in education. (Source: Choi, Tae-uk. 2005. "Sahoetonghaphyung Segyehwachujineul wihan Jungchijedo Jogeun (Political Institutional Conditions for Promoting an Inclusive Globalization)," Shinjinbo Report (New Progressive Report) (January) 82–83.)

Responsiveness

The regulatory quality variable of the WGI captures perceptions of the ability of government to formulate and implement sound policies. This aggregate variable averages −2.5 to +2.5, with higher scores corresponding to better outcomes. Previously, the South Korean government's responsiveness steadily increased over time, but it dropped from 0.88 in 2007 to 0.73 in 2008 (see Fig. 11.15).

According to the 2007 Asian Barometer survey, only 21.2% of South Korean citizens think the government is "very responsive" or "largely responsive" to what people want. Korea's responsiveness percentage is the lowest among seven Asian countries (see Table 11.1).

Even though the overwhelming majority of Koreans still normatively support democracy as their favorite form of political rule, popular dismay over the operation of Korean politics has lowered their confidence in democracy. Shin and Chu (2004) found that Koreans had gradually lost confidence in democracy as the best possible polity and the most effective political system. The majority (79.5%) assessed their democracy as "limited" rather than "advanced" (2.3%). Many increasingly showed dissatisfaction with the way their democratic governments have performed both economically and politically. The percentage satisfied with the performance of the current democratic government was 61.4% in 2003. More than half (51%) assessed the regime as a low-quality democracy and were

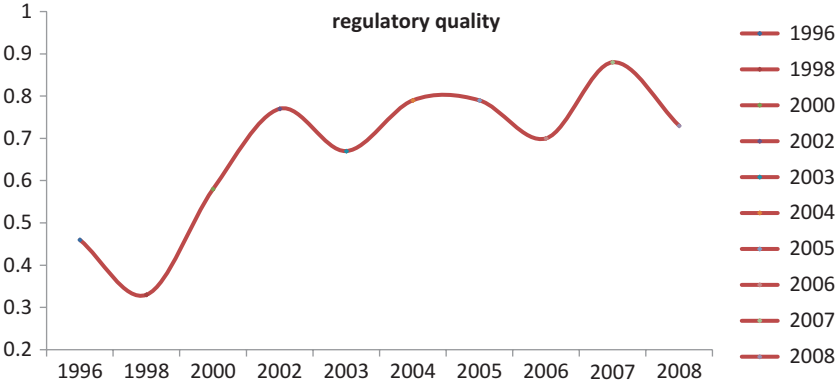

Fig. 11.15 Responsiveness. (Source: Governance Matters 2009, "Worldwide Governance Indicators (WGI)")

Table 11.1 Responsiveness: percentage of positive evaluation

	Responsiveness: Percentage of positive evaluation							
	Korea	*Mongolia*	*Philippines*	*Taiwan*	*Thailand*	*Indonesia*	*Singapore*	*All*
Q116. How well do you think the government responds to what people want?	21.2	25.3	33.2	36.3	50.3	45.7	67.3	39.7
N	1212	1206	1185	1563	1453	1578	999	9196

Source: Asian Barometer Survey 2007

not fully satisfied with the performance of their government (Shin and Chu 2004). The 2007 Asian Barometer showed that Korean assessment of the quality of democracy in terms of legitimacy was not good at all: Only 21.2% think the government is "very responsive" or "largely responsive" to what people want. Thus, if the quality of democracy can be assessed by legitimacy or public trust of democracy and democratic government performance, the quality of Korean democracy is deteriorating.

Conclusion

Koreans have worked hard to improve their democracy in areas like the rule of law, accountability, and control of corruption, freedom, responsiveness, governmental effectiveness, regulatory quality, and economic freedom. Strengthening the rule of law makes democracy better able to protect property rights. Robust and durable democratic accountability prevents predatory practices by the state. Democracy provides a political incentive for rulers to respond positively and quickly to the needs and demands of the people. With higher quality in terms of accountability and responsiveness, democracy can be more effective in making and implementing policy, and in adopting more sound state regulation than authoritarian regimes because a democratic government must act as an agent of the people.

In South Korea, since the beginning of the democratic transition, most political rights and civil liberties have been upgraded to the level of advanced democracies. Moreover, government has become more responsive in the areas of political stability, absence of terrorism and violence, government effectiveness, and regulatory quality. Especially, government effectiveness—a dimension of the rule of law—improved substantially, including the quality of regulation. However, accountability has improved much less. Here Korean democracy has a long way to go. There are also continuing problems with political corruption and transparency, with the country's corruption index at the bottom of OECD countries.

The improvements in the quality of democracy contributed endogenously to sustaining high economic growth after the democratic transition. Without them, authoritarian Korea could not have sustained high growth and would likely have failed to adjust to the changes in the economic environment caused by the end of the Cold War, the IT revolution, and the spread of globalization. Even though the Korean "developmental state" was the champion of managed economic growth in the 1960s and