

## **Rediscovery of Park Chung Hee and Lessons**

### **I. How can the people abandoning the history of prosperity repeat it again?**

In 1917, 103 years ago, a figure named Park Chung Hee was born on the Korean Peninsula just a week after the communist red revolution in the Soviet Union. He ended the shuddering poverty that Koreans had lived on for half a thousand years and eventually became the great man who created the myth of 'Miracle on the Han River'. In less than 20 years, he made an economic leap that would surprise the world, successfully preventing the communist forces from mounting a domino-like invasion and building Korea as a prosperous modern nation. This is the great pride of the Koreans in the international community, a great historic legacy that Koreans will boast of forever in their hearts and no one can erase.

Nevertheless, today, the Republic of Korea has gone too far in erasing and disparaging Park Chung Hee. President Park Chung Hee expressed his sincere view of what his government has done, by saying, **“Being human, of course, I have gone through trials and errors in governing the country. However, I did not work with the purpose of seeking popularity. Rather, my work has always been guided by the question: ‘How will my actions be judged by future historians?’ Moreover, this thought has never left my mind: ‘How can we become a proud and prosperous country on par with other developed nations of the world?’ ”** (Spring, 1977, interview with a journalist.) How can there be no mistake in what humans do? And how can there be a world only with merit but without demerit? We must not forget that the great achievements of the history of human civilization have often been overstretched in their own way. A flawless great is just an illusion.

But the so-called pro-North leftists remaining on the land, some people misled by their persistent incitement, some officials who lost their identity to the nation and political forces blinded only by political interests have been bent on disparaging and denouncing the Park Chung Hee era and erasing traces of the era through history distortions. The valuable lessons of successful modern nation-building, which was a miracle of the history of world civilization that we all had made together in those days, have still remained elusive.

During the past 30 years or so, we have been racing mistakenly to overcome the Park Chung Hee era namely in order to open a new era of prosperity with the so-called political democratization and the anti-Park Chung Hee policy regime. However, now the Republic of Korea is facing the biggest national identity crisis in the 70 years' history of the Republic of

Korea ever since its inception, which, however, we have neither expected nor wanted. What was the problem? The answer seems simple. **"How can the people abandoning the history of prosperity repeat it again?"** I think it is time to go back to basics and review the era of miracles we have achieved and carve out lessons. For this, the Park Chung Hee Memorial Foundation has been conducting various evaluation works and academic researches on the Park Chung Hee era with the authorities of the private sector, commemorating the 100th anniversary of the birth of the President Park in 2017. This paper will consolidate those research findings on the achievements and policies of the Park Chung Hee era to share with all the people across the country and the world.

## **II. Rediscovery of Park Chung Hee and Lessons**

### **1. Paragon of Modern Nation-Building via Industrial Revolution led by the Corporate Growth**

Park Chung Hee's era has built a new industrial nation out of almost nothing probably within the shortest time, 20 years or so in the history of economic development. The industrial revolution of the Park Chung Hee era is the only example of the country's successful self-reliant industrialization without exploiting others by colonial rule commonly observed for other industrial powerhouses, by fostering the growth of corporations and letting them to maximally cultivate foreign markets and incentivizing them to build heavy and chemical industries. Based on the rapid economic growth led by the industrial revolution, Korea was able to build a strong defense industry in a self-reliant way and a stable anti-communist security system based on the Korea-US-Japan alliance, which helped put a halt without war on the ambition of the communist North Korea to overthrow the south. Park Chung Hee's industrial revolution led by corporate growth became the basis for nation-building with poverty eradication, one of the best-shared growth, strong defense and national security, and democracy in later stages. This experience can be called "a paradigm of economic development and nation-building led by corporate-growth", which solidified the foundation of today's per capita income, \$30,000 near-advanced Korea. The strong corporate sector growth is the key to building a prosperous nation.

The capitalist economy is the economy in which corporations (companies) lead to growth. Corporations are one of the best social technologies ever invented by mankind that corrects market failures and expands the market's reach. Humans invented market transactions from the hunter-gather era, but we couldn't solve the poverty problem with the market alone. The poverty-stricken agrarian economy in the midst of market failure was transformed into a capitalist economy through the industrial revolution led by the invention and spread of a corporate organization called a joint-stock company in the early 19th century. Corporations can supplement the weakness of the market's discriminatory selection function and thereby enhance such selection functions within the economy and expand the scope of the market. This is because the corporate organization embodies the vertical command system in internal resource allocation on the contrary to the horizontal negotiation system of the market transaction so that the corporation can greatly reduce the transaction costs compared to the market transaction. Thus, a capitalist economy devoid of private corporate organizations is forced to reverse to an agrarian economy. The communist and socialist economies, which nationalized capitalist companies, had all collapsed eventually to a de-industrialized economy which is tantamount to a poor agrarian economy and almost all of the transition economies except for China have yet to emerge from the middle-income trap without any strong viable businesses. Today, the development of the world economy is led by the United States, China, Japan, Germany, France, Britain, and Korea, which all in order share most of the strong companies in the world.

The amazing insight of the Park Chung Hee era was to understand the pragmatic wisdom of economic development mechanism that capitalist economy is the corporate economy and fostering the growth of the corporate sector is the key for capitalist economic development and to actively promote corporate growth by implementing the strongly corporate-friendly policies, even belittling the market-centric neoclassical advice. The so-called chaebols (big businesses) in Korea were indispensable success factors for the development of the Korean economy. Those who call for chaebol break-ups are amount to absurdly arguing that it is better to return to the poor agrarian economy. It is important to face it straight away that almost every problem in the Korean economy today arises not because of chaebols, but because there are not enough chaebols. Now one can understand why the success of the Park

Chung Hee era could not have been achieved without fostering private companies and therefore, the Korean miracle is none other than the corporate-growth-led miracle.

## **2. Han-river Miracle, the Best Shared Growth in History**

Park Chung Hee's Han-river miracle is one of the best-shared growth experiences in the world development history, and the conventional notion of inequality and polarized growth does not fit the facts. The virtuous cycle of shared growth was created as follows. The government fostered the growth of export manufacturing companies by creating stiff competition among them for export performance via various incentives. There were no restrictions but rather encouragements for their export earnings to return to domestic investment, which could, in turn, create the new demand for the SM&E, for the non-tradable service industry and even for rural agricultural economy, so that the shared growth between export sector led by large manufacturing enterprises and domestic sector including the SM&Es, service industries and rural economy. The export boom triggered a virtuous cycle of shared growth, where everyone could grow together whenever exports grew. Furthermore, the Saemaul Undong greatly helped modernize rural areas and achieve shared growth between urban and rural areas. Thus, the Park Chung Hee era realized the world's best-shared growth with the improvement of income distribution, not only of the time but also probably even in the world development history. This is the truth of the miracle of the Han-river, which the world marvels at and also needs to be remembered.

However, from the 5th Republic, which began regulating the growth of large corporations, and even more actively after the so-called democratic era, the domestic investment activities of the chaebols, the large exporting conglomerates have been regulated in the name of a balanced economy so that the export earnings began to lose the way for domestic investment, which, in turn, began to trigger the vicious cycle of polarization between export sector and domestic sector. Now, the spill-over effects from exports to the domestic sector, i.e., from export-manufacturing business giants to S&MEs, and from manufacturing to service industries, and from urban to rural economies began disappearing and the shared growth mechanism turned into being no longer operational. While the export-manufacturing conglomerates are booming, the small and medium-sized enterprises and the service sector continue to be stagnant, and the economy has become gradually polarized. The reason for all these problems lies in the economic egalitarianism or the socialist ideology that regulating the

growth of large companies can create a more balanced and equal economy rather than encouraging their spontaneous desire for investment and growth.

### **3. "Yushin" Done for the Sustainable Modernization**

The Yushin political regime, which is criticized as a political dictatorship, fulfilled its own stated goal of the country's sustainable modernization by realizing the industrial revolution through heavy and chemical industrialization and fostering the defense industry to prevent the danger of communization, together with the success of the Saemaul Undong to reform the people's mindset from blaming-others to self-help fit for modernization.

For three to four years before the proclamation of the Yushin, the situation at home and abroad was truly in danger of the recurrence of the Korean War. There have been a series of events that have shaken the existing paradigm of diplomacy and security in Korea, including the North's continued provocations against the South, the Nixon Doctrine in 1969, the visualization of the U.S. abandonment of Vietnam, China's entry into the U.N. by disqualifying Taiwan's status as a member of the U.N. and the US-Chinese detente in 71, and the unilateral withdrawal of the U.S. troops (7th Infantry Division) in 1971.

On August 3, 1972, the domestic economy was also in a very difficult situation to take an emergency measure (8.3 Presidential Emergency Order) to freeze curb market corporate debts to solve the chronic problem of the corporate sector's usurious curb market borrowings which was seen as a critical disease of the Korean economy.

Under these circumstances, it would have been difficult not only to realize the industrial revolution but also to preserve the anti-communist democratic system if the opposition political forces not only friendly to agricultural sector- and S&ME-based development strategy against Park's industrialization drive but also friendly to socialist ideology against the Park's anti-communist stance took over the power in the middle of the unfinished industrial revolution. In hindsight, one cannot deny that in spite of the widespread criticisms then and now, Park's Yushin political regime was in fact well done with its stated goal of putting Korea's modernization drive into the sustainable course.

### **4. Park's Government-led Economic Policy to Strengthen Market Function**

The criticism that Park Chung Hee's so-called government-led economic management was anti-market stems from the economic profession's ignorance of the essential functions of the

market. According to the new interpretation of the role of the market for economic development, the free market functions as an economic discrimination device to motivate the spirit for development by selecting the better economic performers based on market outcome and supporting them. We're all playing the role of helping those who perform better in markets, like God who helps those who help themselves, and we're always in the position of helping only successful companies and individuals. It makes sense in the world that we, as consumers, choose only good producers, banks favor creditworthy customers, the stock market favors only good companies, companies favor good workers, and workers prefer good companies. It's not a myth or theory, it's an actual fact that we create in the field of life, the markets. We all have no escape from the instinct of this choice or selection, or economic discrimination if you don't mind. Because it's the law of survival of the fittest which humans have created and adapted in the course of billions of years of human evolution. The market always gives preferential treatment and support to excellent companies and individuals and thereby creates the strong corporate sector and the pool of talented people required to build a prosperous country. In other words, the markets help only good performing small and medium enterprises to grow into large corporations and only good performing large corporations to grow into global corporations, and similarly, help only those individuals who contribute to society by working hard.

A society where this logic works and is put into practice is bound to prosper, but when it breaks down so that the hard-working individuals or businesses are reverse discriminated in comparison to the poor performing or failed ones, and opportunists or vested interests are treated better, it will be trapped in the race to the bottom of downward-standardization and left behind in fierce international competition. Of course, in this game of economic development, the actual performance of individuals and businesses in the market should be the basis for all these discriminatory selections and treatments. If the government authorities, politicians, unions, and any other vested interest groups make their politically distorted arbitrary judgments as a criterion of discriminatory selection disregarding the market performances, it will already run counter to the rule of prosperity.

Now one can understand that what we call the economic discrimination function of the market is the necessary condition for economic development, and the country that makes this principle work will prosper, while the country that doesn't will be doomed to fail. In this

regard, economic egalitarianism against the market's economic discrimination function is a sufficient condition for economic failure. It is important to note that historically the fall of communism and socialism and that the rise and fall of civilization and the rise and fall of the economy have not escaped this grand principle.

What's surprising with Park Chung Hee era is that the Park's state administration and economic policies were generally implemented in a way consistent with this market's discriminatory selection principle. The Park's policy stance was always to support more to the high performers just like what we all do in the market. The Park Chung Hee administration's industrial policy, including fostering export industries, fostering heavy and chemical industries, and supporting Saemaul Movement, was a discriminatory support policy based on performance results. The government policy did not run counter to the market's differentiating or discriminating function, but rather by strengthening such principle of economic discrimination, promoted competition for excellent performance among companies, regions, and villages, leading to the miracle of the Han River based on self-help and self-reliance. That's not all. The deployment of industrial complexes between regions as well as national territory development policies did not deviate from the principle of placing a greater emphasis on regional comparative advantage. Also in utilizing human resources, President Park created an era of an abundant pool of talented people and greatly improved the efficiency of the government by favoring excellent hard-working people according to meritocracy. In this regard, the Park Chung Hee era was when the dynamics of the market economy were blossoming all over the country.

### **5. Heavy-Chemical Industrialization Policy, A Success Model of Industrial Policy**

The Post-Park 5th Republic government's hasty conclusion that the policy of heavy-chemical industrialization failed turned out to be a wrong prediction and Korea's industrial revolution was impossible without heavy-chemical industrialization. Moreover, we should keep in mind that there have been no such successful cases of self-reliant industrial revolution of heavy-chemical industrialization since the WWII. We should proudly establish our success experience as a new theory of industrial policy so that many developing countries in the middle-income trap can utilize it as a guide to the advancement of the developed economy.

The policy paradigm of the World Trade Organization or the so-called Washington Consensus, led by market-oriented mainstream economics and globalism, does not encourage

or prohibit so-called industrial policies to foster specific industries as unfair trade policy practices. According to this principle, Korea's heavy-chemical industrialization policy should not have been advised to adopt. One of the old principles of economics, the "theory of relative comparative advantage," by David Ricardo teaches that countries with relatively abundant farmland, countries with relatively abundant workers, and countries with relatively abundant capital tend to specialize in agriculture, labor-intensive industries and capital-intensive industries, respectively and such industrial specialization will be consistent with globally efficient resource allocation, which can be applicable *mutatis mutandis* for the individual country's regional resource allocation.

The argument if naively interpreted in the static context may imply that the country with a relative comparative advantage in land and labor should continue to specialize in agriculture and small- and medium-sized enterprises for economic development. Those opposed to Park Chung Hee's industrialization argued that Korea should specialize in agriculture and labor-intensive small and medium-sized enterprises and not in capital-intensive heavy and chemical industries because Korea is abundant with land and labor relative to capital. However, the reality is that no country has ever become an advanced country in this way. But according to the new theories, this theory is not enough to explain the economic development that has evolved from a horse-driven wagon economy to a train, car, airplane, and space economy, where the industrial structure of the economy is qualitatively enhanced. So in reality, not only the less developed countries but also the more developed countries are adopting industrial development policies for upgrading industrial structure, though not outrightly under "industrial policy" but under the disguised name such as R&D policy, technological innovation policy, etc.

But what's more interesting is that, nevertheless, it's hard to find any good exemplary countries that have succeeded in industrial upgrading and developed into the advanced economy. If there are modern-day exceptions since the 20th century, it is probably the case that the latecomer, the U.S., has caught up with Great Britain and then has Japan come, and lately Korea has caught up with the West. Now China is trying to catch up with the West. Since the heavy-chemical industrialization policy of the Park Chung Hee era succeeded in doing something that was not advised but in fact opposed to do, now one can understand why it was a hot potato for everyone.



So, how did Park Chung Hee succeed? The answer is not that complicated. As pointed out in Note 4 above, the market as a whole is working as a motivator for self-reliant development through economic discrimination of the individuals and the corporate firms. Here, “economic discrimination” which means treating differences differently by helping those who help themselves is nothing short of industrial policy done by the market. In fact, the market is doing industrial policy every day but of course imperfectly. During the Park Chung Hee era, the government closely replicated the market’s industrial policy function by applying the logic of economic discrimination to the corporate sector. The government provided incentives to support companies that were performing better in export, rising from small businesses to large corporations, and expanding their excellent capabilities into the heavy-chemical industries. Most of the other countries that failed turned out to have helped the failing companies rather than the thriving ones, in other words, by supporting them in the opposite way from the market’s economic discrimination function, and thereby eventually incentivized the failure rather than the success.

We're all working together to select and support better-performing individuals and companies through market selection. And the pressure of inequality created by this discriminatory market choice will paradoxically motivate all of us to face up to the reality and help bring about the shared growth where we all grow but not equally. In many cases, however, in spite of the fact that their instinct of discriminatory choices result in inequality, they tend to fail to realize it and argue that unequal market outcomes are wrong and so should be corrected, and these people are always causing problems. **How could the market and our living be sustainable if the choice by the right hand is said wrong by the left hand?** This is the self-defeating story of the modern-day socialists who are seeking an equal society in capitalist economy. Only when companies and individuals are fairly treated for their excellence in order to stay ahead of others will the nation prosper, and we will also prosper together. This is the success principle of Park Chung Hee's industrial policy. But today, almost every country is wasting its resources by doing the opposite of Park’s industrial policy and driving the economy into a trap of stagnated and polarized growth. But, of course, they say such egalitarian policy will make all equally grow, but it's been a complete lie. Now, one can argue that the Park’s success principle of industrial policy may help rescue the world out of the trap of the long-term growth stagnation and the worsening income distribution.

## **6. Saemaul Undong, A Success model of Poverty eradication and Rural Development**

Some claims that the Saemaul Undong was a political campaign under government duress to lengthen the seizure of power but these are unverified in light of historical facts and its track record. Saemaul Undong adopted a policy that could best be described as “economic discrimination,” rewarding good performance while penalizing bad performance, and turned out to be extremely successful in motivating every village and villager to compete in becoming better-off through self-help. The President adopted a policy that would provide additional support to villages that were successful in their self-help efforts while excluding the unsuccessful villages. In the fall of 1970, an average of 300 bags of cement and a ton of steel bars were supplied to approximately 34,000 villages nationwide, with the villages allowed to autonomously select and implement suitable projects. After six months, the government assessed the performance of all the villages one by one and found that approximately 16,000 villages had made progress while 18,000 had not. For the second round, the 16,000 successful villages were given 500 bags of cement, with 200 more than in the previous year as an incentive, while the unsuccessful 18,000 villages were left out from Saemaul Undong and received no support from the government. At the end of the second round, it turned out that not only did the 16,000 villages that performed well in the first round continue to perform well, but also 6,000 out of the 18,000 villages that were not supported, participated independently at their own cost. In this way, the government continuously carried out a strict meritocratic policy of supporting successful villages while dropping villages that did not perform well, which can be called a practice of ‘economic discrimination’. Five years later, annual incomes for rural households surpassed that of urban households.

This discriminatory support strategy based on the village’s performance triggered fierce competition and induced voluntary participation from all villages and residents, which in turn helped wake up the Saemaul spirit of “diligence, self-help and cooperation” within the mind of the villagers, and thereby brought about an unprecedented miracle of shared growth in the history of economic development.

The 2019 Nobel Prize for Economics was awarded to scholars working in the field of the behavioral economics who used a randomized controlled trial (RCT) experiment which turns out to be a small-scale replication of Korea’s Saemaul Undong 50 years ago and pales in comparison to the Saemaul Undong in terms of its originality, scale, and accomplishments.

However, unfortunately, none of their research, or indeed, the whole field of the behavioral economics for that matter, has recognized the Saemaul Undong policy, which should have already been identified as a pioneering implementation of experimental economics in terms of theory and practical application. In this sense, it is worth arguing that the Nobel Prize should have already been awarded to Park Chung Hee, who achieved the success of Saemaul Undong and the miracle on the Han River based on the economic discrimination principle more than 50 years ago though Park, being deceased, would not be eligible.

The experience and theory behind Saemaul Undong can make a decisive contribution not only to solving the poverty problem of the world's underdeveloped countries but also to reviving advanced economies trapped in growth stagnation and economic polarization. If the world can share the theory of the success of Saemaul Undong, it can help minimize the trials and errors involved in efforts to resolve the poverty problem in the future.

#### **7. Anti-Communist Democracy to Overcome Communist-friendly Democrats**

Park's then-criticized claim for "Korean Democracy" needs to be reevaluated in light of the left-leaning trend of democracy today around the world including Korea. **"The democracy I advocate refers to the creation of a society most suitable to us by tailoring the beliefs, ideas, and political systems from foreign countries to fit our own unique characters. We cannot wear the suits of Westerners without alteration. Do we not have to refit the sleeves and the chest circumference before wearing them? Likewise, we must tailor democracy to our own circumstances."** (Sep. 28, 1963, Campaign speech in Seoul during the 5th presidential election). The current ideological identity turmoil in Korea and the ensuing crisis are the side effects of discarding the spirit of anti-communist democracy and indiscriminately accepting Western-style socialism-friendly democracy while ignoring the geopolitical situation where Korea is still surrounded by the communist regimes of neighboring countries.

Communist-friendly democrats criticize the Park Chung Hee era as an "anti-democratic era," but this is not so true. First of all, since there were 1,250 cases of espionage and national security-related crimes during the 18 years in power, one can easily understand how difficult it must have been to keep anti-communist democracy. But what's more surprising is that only about 10 cases, or 1.25 percent of them, were found not guilty via retrial after his Era, and even these were not due to the fault of the case itself but due to some procedural flaws of the

trials. As such, it would not be fair to denigrate this era as undemocratic and as abusive of human rights, only by Western standards, in spite of the fact that Park Chung Hee respected the rule of law and the procedural democracy and miraculously improved the people's economic life more than ever before in Korean history.

### **8. Park's Real Contribution to Korea's Substantive Democracy**

Park Chung Hee's economic development has become the bedrock of democratic development. The very foundation of democracy is that it should make the people who are masters well off. Political democracy and "economic development" that allows people to live on a full diet can never be seen separately. No matter how good you are at elections and how formally you are at following democratic principles, unless you solve the hunger and poverty problems of your people, you can't say you really do democracy. History tells us that democracy can't solve hunger problems automatically, but it's even harder that democracy flourishes within hunger. So it may be that hunger is the grave of democracy. Park Chung Hee often argued democratic institution can be very much idiosyncratic and culture-dependent as quoted in Note 7 above. By rescuing Korean people from the poverty trap inherited for 5,000 years and paving the road for the full-fledged democracy through rapid sustainable economic development, Park Chung Hee was, in fact, able to realize the substantive democracy.

### **9. 'Economization of Politics' for Inclusive Shared Growth**

To ensure economic growth and development, politics needs to be 'economized' in order that the politics doesn't manipulate but rather protects the principle of economic discrimination based on market performance. However, if the principle is distorted by the political manipulation and is not well kept for economic policy decisions, it will lead to the collapse of the economy. The best-shared growth record of the Park Chung Hee era which strictly kept that principle for economic policymaking and the fall of the communist and socialist economies that adopted the egalitarian policy regime running counter to economic discrimination principle are the evidences to support this proposition. The current growth stagnation and worsening distribution of the Korean economy is the result of abandoning the Park Chung Hee's "economization of politics" strategy which always puts emphasis on performance and adopting "politicization of economy" strategy which favors economic

equality over economic performance and excellence under the name of economic democratization over the past 30 years or so. Now it seems the case that instigating anew President Park's economic discrimination strategy so as to return to the market and business-friendly economic policies is the only way to restore an inclusive shared growth through the restoration of the middle-income class.

The experience of economization of politics during the Park's era offers new insights into the universal principles for the co-development of economy and politics. For some time, liberal democracy had been perceived as a precondition for economic development. But history tells us that liberal democracy does not guarantee prosperity, which has now become a universal fact. What type of politics is conducive to economic development remains an unsolved challenge in politics and economics. But the experience of the Park's era offers a somewhat clear answer. The politics which induces the economy and society into the competition for excellence by strengthening the market's discriminatory selection function is conducive to economic prosperity, but the politics that kills economic excellence by institutionalizing economic egalitarianism that runs counter to the market's discriminatory selection function will drive the economy into stagnation. This argument may now be established as a general political economy proposition, which needs to be emphasized as universally applicable regardless of the formal classifications of political systems such as liberal democracy, authoritarianism or dictatorship.

And we can come up with even the general principle of economic development. During the Park's era, the government (including politics) reinforced the discriminatory selection functions of the markets as well as the companies that came into existence to make up for the market failure in economic discrimination, thus enabling the miracle of the best-shared growth. This can be interpreted as the general principle that economic development is possible only when markets, businesses, and governments are united and implement the principle of economic discrimination in a concerted manner. Therefore, it can be called the "general theory of economic development," as it embraces the mainstream market-oriented economics that only needs a market for economic development, and requires not only a market but also a corporation and a government.

## **10. Industrial Revolution by Capitalist Classes of Entrepreneurs, Scientists and Engineers**

The Park's era was the era where entrepreneurs and scientists and technicians were most treated for the first time ever in 5,000 years of Korean history. The lowest classes of craftsmen and merchants in the agrarian social class ideology of "Scholar-Farmer-Craftsman-Merchant" who had been oppressed for long by the scholar class including intellectuals and politicians were reborn as a new capitalist class of entrepreneurs and scientists and engineer-technicians by Park's special favors and encouragements. With this background, they rapidly rose as the leading class for the capitalist economic development and served as the driving force behind Korea's industrial revolution to the fullest extent. The Park's era established the realistic capitalist class ideology for the economic development of "Merchant-Craftsman-Farmer-Scholar" where the scholar class such as politicians and intellectuals not in the real sector is less favored than the class of business leaders, scientists and engineers-technicians working in the real economy.

Capitalist economy can flourish only through the development of science and technology as well as through the growth of companies that make full use of science and technology to realize the order-transforming growth emergent from the wagon economy into the economy of trains, cars, airplanes, and spaceships. If anyone of them were deficient, the economy would be reduced to a low-growth, polarized economy like a dire agrarian economy such as the poverty-stricken North-Korean economy and similarly, the collapsed communist economies in the past. The miracle of the Han-river that the Park's era achieved was the realization of shared growth emerging from a dire agricultural society to an industrial society by creating an innovative class ideology for the capitalist economic development overriding the old agrarian class ideology. However, the post-Park Korean economy is going down the path of low growth and worsening distribution by reestablishing the old class ideology of neglecting businessmen, scientists and engineers while the social power and prestige centers again on to the scholars and politicians by the notorious politicization of economy.

## **11. The Republic of Korea, a Memorial Museum for Space Designer, Park Chung Hee**

Today, even the small pieces of Korea's land development and urban development sites are nowhere out of reach of President Park. Starting from the transportation revolution of Jeju 5.16 Road and Gyeongin & Gyeongbu Expressways, the country's mountain and water management project was implemented to block the major rivers by constructing dams for flood prevention and hydroelectric power generation and to turn the bare mountains to green

ones by the successful forestation envied all by the world. The old cities around the country, including Seoul, were transformed into modern complex cities with jobs created by newly-built nearby industrial complexes, apartment housing complexes, and educational functions. On top of these, the economic structure and life of rural villages were completely modernized by overcoming the “Barley Hill Passage” (Borigogae: a dire hungry period between eating up all crops and harvesting barley) through the Saemaul Undong. With all these projects successfully accomplished, literally the entire country has been stripped of 5,000 years of old corners and a totally new Korea was opened. There is no country like Korea found in human history that has made such a new country in a period of less than 20 years. Park Chung Hee was the world's leading master of national space design. So it is not wrong to say that the entire Republic of Korea is just like the Park Chung Hee Memorial Museum.

Now, the Republic of Korea needs to look back on President Park's initial promise to the nation. **“Before the whole nation, I promise to become a working President. I will be the one to oversee urban construction myself, and I will be the one to go out and engage in farmland consolidation projects. I will take the lead in reforestation and spare no effort in expanding weatherproof arable land. I will diligently visit major construction sites around the nation to encourage the workers and be steadfast in supporting and celebrating their achievements. I will do whatever it takes to help shorten the path to self-reliance.”** (Apr. 15, 1967 radio address during the 6th presidential election). Park Chung Hee was the president who kept his promise.

## **12. The Korea-U.S.-Japan Alliance to defend Korea against Communism**

Park's normalization of Korea-Japan relations (1965) and strengthening of the Korea-U.S. alliance have become the foundation for Korea's rapid economic growth and for the system maintenance of anti-communist, liberal democracy by helping defend Korea against Communism. However, the recent attempt by the nationalistic, leftist ideological forces, which are acting very friendly to North and dare to imply that even not only the unification by socialism can be endured, but also the alliance between Korea, the U.S., and Japan can be disregarded which poses a serious threat to Korea's national security system. As long as the North's ambition to reunify the Korean Peninsula by socialism persists, the only way to prevent the communization of the Korean Peninsula is to continue to strengthen the Korea-

U.S.-Japan alliance that Park Chung Hee established, as our history of success has demonstrated.

### **13. The Park's Development Model, the Only Feasible Alternative to North Korea's Economic Development**

North Korea's economic reform and opening can only succeed if it adopts the paradigm of the Park's "Corporate-led Industrial Revolution" based on the capitalist market economy. China, which has been facing a growing imbalance between urban and rural areas as well as a growing overall income disparity, and Vietnam, which seems to be plunging into the mid-income trap, can never be an alternative. The only alternative to North Korea's economic development is Park's development model that led the world's best-shared growth through the corporate-led industrial revolution and Saemaul Undong.

Even with the dictatorship of the Communist Party, China gained a remarkable economic success with its economic discrimination policy learned from the Park's Paradigm, growing about 9% annually for longer than 30 years since her reform and opening. The reform of land-use system in industrial and urban sector which substantially undermined the socialist state ownership system has led to the rapid growth of the corporate and urban sectors, but the relative underdevelopment of the rural and agricultural sector has not been solved yet due to the communal land ownership system still surviving the already dissolved collective farm system. Under the land-sharing system in the rural farming sector, there will be no strong incentive for individual farmers to be fully motivated for wealth accumulation, which requires a full-fledged land ownership, so that the Saemaul Undong learned from Korea has not been working well and the shared growth between the urban and rural sectors has not been realized as intended. Now the already high Chinese income disparity has not been much improving in recent years. In addition, socialist market control, which seems to be strengthened recently probably by the desire to early overtake the economic power of the United States could be likely to hinder China's leap into a high-income country. There will be no hope for the future of the Chinese economy if it is forgotten that China has been so successful not because of doing fine with socialism but because of doing fine with capitalism though to a limited extent.

Meanwhile, Vietnam pursued market liberalization and decentralization under the banner of reform and opening according to the mainstream economics and Washington consensus



rather than the principle of economic discrimination. Vietnam has learned about Saemaul Undong but was ignorant of Park's model of economic development based on economic discrimination and corporate growth. As a result, Vietnam has relied mainly on foreign direct investment, not on the growth of her own indigenous corporate sector and so her economic growth pales in comparison to the Chinese performance, while it has been a little higher than the Eastern Europe transition economies. However, the Vietnamese economy is now facing the possibility to plunge into the middle-income trap because there is no solid domestic growth base by the indigenous corporate sector. The economy that depends mostly on foreign companies and foreign direct investments without promoting indigenous domestic companies tends to fall into the so-called middle-income trap, which is caused by those foreign companies and investments escaping to other underdeveloped countries to avoid rising wages naturally pursuant to economic growth, resulting in the downward pressure on the income growth.

Looking back on the growth history of the Chinese and Vietnamese economies, one may now understand why the shared growth by the Park's model which was achieved through domestic corporate-growth and Saemaul Undong, is a miracle. Where North Korea should look for a model for reform and opening is now self-evident.

#### **14. Abandoning Park Chung Hee, Korea fell into the Trap of “Government-led Low Growth and Polarization.”**

Today, Korea, as well as the world, is suffering from low growth and worsening income distribution. But the world is not able to find a solution as well as a cause for them. But what is surprising is that the miracle of the Han-river, which was achieved during the Park's era in Korea, was the world's best-shared growth in the development history. However, socialist ideologues and pro-North Korean leftists who dream of the socialist revolution have been distorting the historical fact of Korea's shared growth as polarized growth because there is no place for the theory of Karl Marx or the Communist revolution to stand unless the society is overflowing with the beliefs of growing income inequalities. This propaganda has been prevalent for a generation in the post-Park era through mass media; mass communications, arts and movies supported by the leftist political forces and now succeeded in misleading many Koreans to believe in “Korea is full of inequalities and disparities caused by unfairness. Now, in spite of the fact that Koreans are enjoying US \$ 30,000 per capita income with

relatively better income equality, most of them are saying, "I am belonging to low-income class", "Korea is an unequal society," and "Korea is an unfair society because of the chaebol (large corporations) and the rich" and the youngsters sound even like "Hell Korea!" Some of them are even dreaming of a socialist revolution as a solution. Isn't it ridiculous that the country which started from nothing and created a miracle of shared growth of \$30,000 per capita income has fallen into such a false belief acting like a costume player of a polarized poor country? All this has been done in the past three decades under the guise of democratic revolution, denouncing Park's anti-communist democracy as a dictatorship, so all the people, even the intellectuals and the politicians in the ruling as well as opposition parties, have joined in without knowing that this is the path to pro-communist democracy. The fact that the result of the egalitarian policy regime adopted as an alternative to the Park's development model over the past 30 years is only about 2 % growth a year cum worsening income distribution which is barely supported by the government expenditures is a testament to how much the nation has been led to the wrong direction under wrong belief.

Nowadays, Korea's policy regime is surprisingly opposite the way President Park Chung Hee had taken. Based on the false belief that Korea is a polarized country, Korea has taken a pro-socialist egalitarian policy regime that regulates the successfully growing companies and the rather successful wealthy people and favors the unions than the corporations and has been plunged into a vicious circle of "government-led low growth and polarization" reversing the shared growth mechanism. Now Korea is facing even the crisis of national identity. It is only deplorable as all these happenings have been occurring by the Anti-Park leftist political forces' deceiving the eyes and ears of the people.

It's no wonder, Korea looks hopeless as the political parties and many people that are caught in the economic egalitarian trap are enjoying "a race to the bottom" of the economic stagnation. Unless the Park's model of development with anti-communist democracy, corporate-led growth, and Saemaul spirits of "diligence, self-help and cooperation" all supportive of economic discrimination is brought back into the national management, the revival of Korea's path to prosperity will be more difficult than a camel to go through the eye of a needle.

## **15. The Indelible Success Story of Park Chung Hee**

All said so far about the Park Chung Hee is a miraculous story of what and how to build a prosperous nation out of ashes. Since the WWII, by adopting new paradigms such as the welfare state, revised capitalism, social democracy, and socialism, the world has tried to make their country prosper with a high shared inclusive growth, but ended up now with a long-term growth stagnation cum worsening income distribution. This is the case in general not only with the developed countries, but also developing countries. This is a totally unexpected surprise.

What we said about the Park's era with anti-communist democracy and genuine capitalism is an exception to such world experiences by achieving one of the best shared growth and paved the road to now U.S. 30,000 dollar per capita income. Therefore, the Park Chung Hee era provides very useful lessons to overcome the conundrum with simultaneously deteriorating quality and quantity of economic growth faced now by the world now. In fact, now, we are witnessing that many countries are actually eager to learn success know-how of Park Chung Hee era. Under these circumstances, research on Park Chung Hee and his era will continue to serve for those in need of economic growth and development.

Therefore, we think it will be impossible to erase his feats that have been immortalized not only in Korean history but also in the world history, despite the endless attempts of socialist-leaning ideologues including pro-North Korean leftists to erase Park Chung Hee. On the contrary, despite anti-Park Chung Hee propaganda and education and political ostracism through the distortion of history by such forces, Park Chung Hee is still very popular abroad. In fact, we argue that Park Chung Hee era is a living paradigm of nation building and living developmental economics. Time is on Park Chung Hee's side.

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