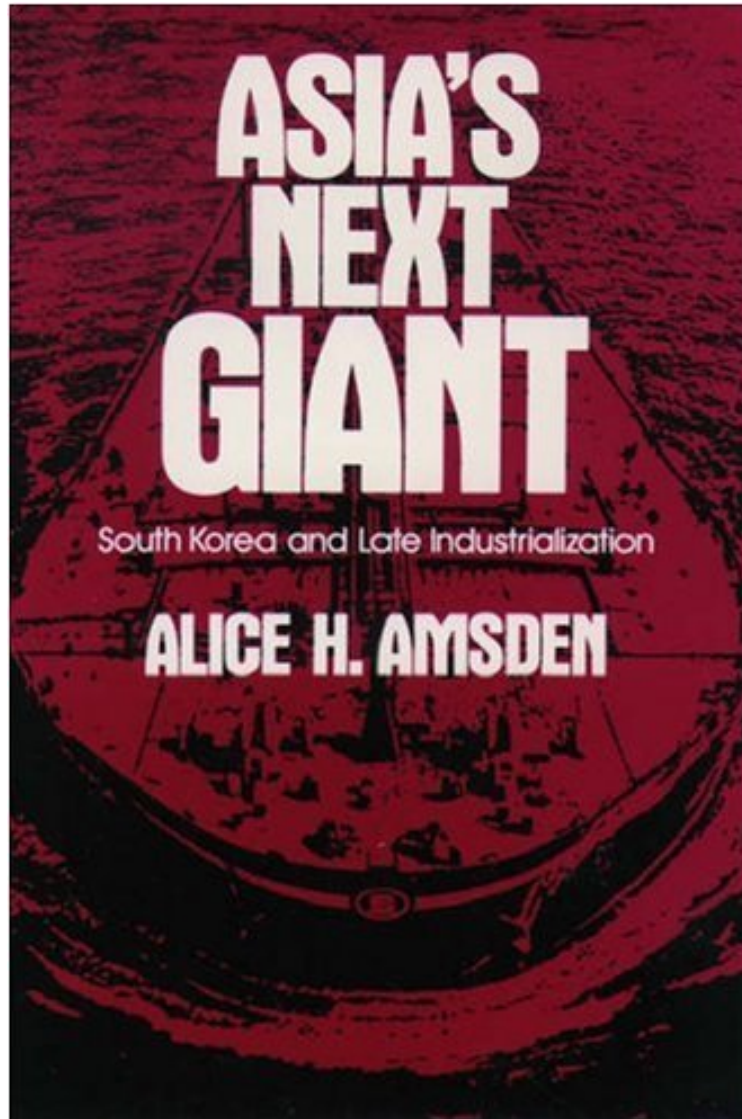


Asia's Next Giant: South Korea and Late Industrialization

Alice H. Amsden

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Alice H. Amsden : Asia's Next Giant: South Korea and Late Industrialization before purchasing it in order to gage whether or not it would be worth my time, and all praised Asia's Next Giant: South Korea and Late Industrialization:

0 of 0 people found the following review helpful. Incisive and Thought-ProvokingBy ClintAmsden provides a thorough description of the state-capital-chaebol nexus that characterized South Korea's remarkable developmental path. You cannot understand the rapidity of S. Korea's growth from a war-torn third world country to a developed political economy without Amsden's account. While the ROK transitions from a developmental state to a neoliberal one, the lineages of its past (which Amsden lays out) remain.0 of 1 people found the following review helpful. Well

written and in good shape. By Dealyn A book for a college class. Well written and in good shape. 4 of 4 people found the following review helpful. A Management Reading of a Classic in Political Economy By Etienne RPT This book is widely known and referred to as a classic in international political economy. Besides of being the first book to chronicle Korea's rise to industrial power status, it is associated with the concept of the developmental state, meaning a set of institutions and policies that are conducive to economic catch-up and development. Like many classics, it is worth revisiting, if only to correct misperceptions and preconceived ideas. Contrary to expectations, the candid and uninformed reader will discover that 1/ the book does not really offer a theory of the developmental state; 2/ it devotes relatively little space to the role of the state; and 3/ it expands considerably more on business case studies and management concepts. Hence my paradoxical proposition: *Asia's Next Giant* should be read as a business book, not as a book on the economics of industrialization. A close look at the book's bibliography will help me clarify my proposition. The book does quote economic studies, both theoretical essays like Balassa's "Stages Approach to Comparative Advantage" and specialized studies focussing on the Korean case, like Jones and Sakong's book on Government, Business, and Entrepreneurship in South Korea, published in 1980. Interestingly, the bibliography refers to a significant number of reports and papers emanating from the World Bank's economic research department, or jointly published by the World Bank and the Korea Development Institute. This is noteworthy because in this book as in subsequent publications, Alice Amsden takes a critical view of the Bretton Woods institutions, accusing the IMF and the World Bank of trying to apply orthodox recipes and austerity measures to an economy that does not follow neoclassical principles. As an example, she refers to the World Bank's hostility when Korea decided to enter the steel business with the creation of POSCO in 1968, or to ill-conceived stabilization measures and adjustment programs projected onto an economy that had learned to grow out of its difficulties. Judged from the many studies listed in the bibliography, the least one can say is that the World Bank devoted significant resources to learning about the Korean case, and to drawing lessons from its development. But in addition to economic essays and World Bank papers, the bibliography lists an impressive number of studies that belong to the management literature. Case studies of the Harvard Business School are not only referred to: they form the basis of whole chapters, which could be (and surely have been) used as stand-alone materials in MBA classes taught at business schools. In total, two chapters and six sub-chapters are organized as business cases, and offer detailed presentations of corporate strategies and organizational structures from industrial groups belonging to various sectors. Besides this empirical literature, one of the most often quoted author is Alfred D. Chandler, the distinguished business historian who exerted considerable influence over the field of management studies, but whose work has been ignored or neglected by orthodox economists. In addition to A. Chandler, one notices the names of young business scholars who were to lead a distinguished career in management: Michael Porter devoted one chapter to the study of the shipbuilding industry worldwide, and Michael Cusumano is quoted for his masterful study of the Japanese Automobile Industry. The book's title indirectly refers to a volume published in 1976 under the title "Asia's New Giant: How the Japanese Economy Works". Indeed, many entries in the bibliography refer to Japan's experience, which is doubly relevant for Korea. First, because the origins of Korea's industrial development are partly to be found in the colonial period, however exploitative and extractive Japan's domination is still remembered by Koreans. Second, because Korea played catch-up in the post-war period by adopting some of the rules and recipes that were first designed by Japan. In this respect, it is interesting to note that a document from the Pohang Iron and Steel Co., published in 1984, refers to the massive inflow of technology and project finance originating from Japan as a form of reparation from the Japanese government for "36 years of hardship under Japanese rule". In any case, the abundant literature on Japan provides a benchmark for *Asia's Next Giant*, as it allows the author to highlight both commonalities and differences between the two industrial powers. The bibliography also lists an important number of books and studies pertaining to all aspects of Korea's development, including a number of doctoral dissertations written by Korean PhD's who did much to increase the knowledge base about Korea starting in the 1980s. One of the reasons the author favors the business literature over standard economics is because she intends to develop a new paradigm. Many economists listed in the bibliography belong to heterodox schools or to research traditions detached from the mainstream: one notices for example the books by Piore Sabel, Nelson Winter, Oliver Williamson, or even the French philosopher Andre Gorz. Basically, Amsden takes issue with neoclassical economics on four interrelated points. First, Korea developed by getting relative prices wrong, not right, and in particular by setting social rates of returns at a much lower level than the capital market profit rates. Second, the state adopted a hands-on approach to industrial development, by picking winners among Korean business groups but also by forcing them to meet strict performance standards in exchange for trade protection and subsidies. Third, whereas neoclassical economics sees technological progress as exogenous, playing catch-up creates a closed-loop, virtuous circle between productivity and growth. High growth rates of output generate high growth rates of productivity, and vice-versa. The fourth aspect of the neoclassical paradigm that is in urgent need of rethinking relates to the law of comparative advantage, or the idea that countries should specialize in a limited number of industries, the choice depending on their resource endowment. For Amsden, it is not enough to cast comparative advantage in a dynamic setting: this "law" should be jettisoned altogether. All in all, these theoretical challenges to neoclassical economics may amount to a new paradigm. But they do not offer a theory or a description of the role of the state in

economic development. Indeed, whereas specific industries and firms are presented in detailed case studies, the institutions of state power are only alluded to, and they do not form the main topic of this book. The book does not describe the design of industrial policy, or the linkages between the state and business groups, or specific institutions such as the Economic Planning Board. Stripped to its bare essentials, the model proposed by the author posits a kind of Stackelberg equilibrium where the state leads and the business groups follow. As she summarizes her own thesis, "at the heart of the model were subsidies offered by the state to private enterprise in exchange for higher output of exports and import substitutes." *Asia's Next Giant* is therefore to be distinguished from other essays that publicized the notion of the developmental state. Chalmers Johnson offered a minute account of the role of MITI in Japan's economic development, and Robert Wade also described the way the state governed the market in Taiwan and the rest of East Asia. Alice Amsden doesn't do the same for South Korea; or at least, she remains at a level of generality that leaves the reader asking for more. A strong interventionist state is only one component of the developmentalist model. Other institutions include large diversified business groups, salaried managers that are able to increase efficiency and productivity at the shop floor level, and an abundant supply of low-cost, well-educated labor. The book's most important contribution is to focus on the role of the firm and its human resources in economic development. Using Chandler's model of the modern multidivisional enterprise as a benchmark, Amsden shows that Korea's chaebols exhibit higher degrees of both diversification and coordination. Driven by what may have been a lack of technological capabilities to expand into higher quality niches, private business groups diversified widely into the bottom end and middle level of many markets, helped by a high level of coordination of financial and labor flows within the group. The chaebols were able to manage their diverse holdings by virtue of their ability to borrow on preferential terms and buy industry-specific technical expertise from foreigners. This allowed them to grow very large, at first organically, while remaining under the control of their original family founders. The real hero of *Asia's Next Giant* is not the state planner or the private entrepreneur: it is the salaried engineer. Korean firms have shown a preference for hiring engineers over administrators; to keep overhead costs low; and to focus on shop floor efficiency. The ratio of white-collar to blue-collar, or of managers to production workers, started from a low base and actually declined from 1960 to 1980. Furthermore, although both the number of managers and the number of engineers in Korea both rose absolutely during the same period, the latter increase was far greater than the former. This suggests an orientation toward production in Korean manufacturing rather than toward sales or finance. And indeed, as Amsden underscores, "the shop floor tends to be the strategic focus of firms that compete on the basis of borrowed technology." A well-educated population in general, and a plentiful supply of trained engineers in particular, appear to have been critical inputs into the industrialization process. The book's distinctive contribution is to offer a model of learning as a new mode of catch-up industrialization that is distinct from the invention model displayed by Great Britain during the industrial revolution, and the model of innovation developed by the United States in the twentieth century. By learning, the author mainly means learning from abroad, through technology transfers, license buying, or reverse engineering. But "learning" has a more positive ring than the categories of "copying", "imitating", or "transferring" as in technology transfers. It presupposes cognitive skills, and implies a capacity to adapt, modify and improve. In the history of industrialization, learning comes after invention and innovation. It is very difficult to make the transition from innovation to learning, because of neglect of the shop floor, rejection of ideas that are not invented in-house, and hostility toward the state. But as Amsden notes, Korea was in the process of making the transition from learning to innovation. This process was still in its infancy ("In the mid 1980s, Korea's share of industrial activity arising from its own RD laboratories was minuscule"), but the direction was clearly set. It is this book's merit to have discerned it.

South Korea has been quietly growing into a major economic force that is even challenging some Japanese industries. This timely book examines South Korean growth as an example of "late industrialization," a process in which a nation's industries learn from earlier innovator nations, rather than innovate themselves. Discussing state intervention, shop floor management, and big business groups, Amsden explores the reasons for South Korea's phenomenal growth, paying special attention to the principle of reciprocity in which the government imposes strict performance standards on those industries and companies that it aids. She thereby shows how South Korea, Japan, and Taiwan were able to grow faster than other emerging nations such as Brazil, Turkey, India, and Mexico. With its new insights, *Asia's Next Giant* is essential reading for anyone concerned with global competition and the world economy.

"Her findings--supported by a look at several major industries--not only give a new picture of Korea but challenge much conventional economic teaching about development."--Foreign Affairs
"By informatively examining Korea's industrialization in both a comparative and an historical context, it isolates central features that uniquely characterize contemporary industrialization in a way that few other monographs have.... This book is definitely on my shortest lists of essential readings about Korean development and about the process of industrialization more generally."--Journal of Economic Literature
"Amsden's work is well researched, highly stimulating. Indeed this is a seminal book, not just about modern Korea, but containing valuable lessons for other developing countries, and indeed for the already rich industrialized world now threatened by Korean competition."--Financial Times
"A thorough and thought provoking

disquisition."--Pacific "Adds a new chapter to the field of development economics by providing a systematic and comprehensive analysis of what she calls 'late industrialization as learning.'...Notwithstanding her admirable scholarship, she is also a fascinating storyteller of a newly industrialized country. A highly recommended book for anyone who is interested in the industrialization process of later developing countries."--Choice "The book is impressive, one of the best to date on South Korean industrialization."--American Journal of Sociology "Amsden's seminal book explains the dynamic tension, crucial to South Korea's stunning economic development, between the state and business."--Far Eastern Economic "Amsden provides a particularly textured analysis of the consequences of shop floor strategies, transcending the usually mystifying verities of neoclassical economists observing South Korea's unregulated labor markets."--Science and Society "The first full analysis of South Korean industrialization to appear, Amsden's book is a major achievement. Drawing upon broad theories of political economy that go far beyond the usual orthodoxy, she shows how a complex process of learning from abroad, combined with effective state intervention, has brought one new industry after another to world competitiveness and made South Korea our best example in the recent period of 'late' industrialization."--Bruce Cumings, University of Chicago "With so much already written on South Korea's extraordinary record of industrialization, the solid achievement of Alice Amsden's book is to have added an altogether fresh dimension to the story....Her unusual ability to see the process through the eyes of an expert both in production management and in industrial organization generates some rare insights on this fascinating case."--Raymond Vernon, Harvard University

From the Back Cover This timely book examines South Korean growth as an example of 'late industrialization,' a process in which a nation's industries learn from earlier innovator nations, rather than innovate themselves. Discussing state intervention, shop floor management, and big business groups, Amsden explores the reasons for South Korea's phenomenal growth, paying special attention to the principle of reciprocity in which the government imposes strict performance standards on those industries and companies that it aids.

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