

# NATIONALISM AND PRODUCTIVITY

## THE MYTH BEHIND THE KOREAN WORK ETHIC

BY SU KWAK



Since the end of the Korean War in 1953, South Korea's economy has managed to rapidly transform itself from an agriculturally based society into a modern industrial force. According to the Bank of Korea Statistical Yearbook, the average annual increase of real GNP between 1953 and 1991 was nine percent. GNP per capita rose from US \$80 in 1960 to US \$6,749 in 1992. For nearly half a century, the only time series pattern of economic growth observed in Korea is a positive trend.

Academic literature suggests the concept of a Korean 'work ethic' that believes "... [w]ork, as Koreans see it, is not a hardship. It is a heaven-sent opportunity to help family and nation." From such a concept, scholars have concluded that the prevalence of a nationalistic rhetoric produced a labor force eager to work for low wages. If the nationalistic rhetoric had been effective in producing a cheap labor force, wages should have been at or below the market level.

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This article demonstrates that Korea's economic statistics do not support the conclusion that a cheap labor force contributed to Korea's economic development. The idea that Korean laborers worked harder than those in other countries because of a nationalistic "work ethic" is an unsubstantiated misconception. In fact, from 1965 to 1995, the growth of real wages was commensurate with the growth of labor productivity.

While the Korean government attempted to advance its economic development by targeting the labor force with nationalistic rhetoric, it clearly failed. This discovery raises the question of the utility of nationalism for developing countries.

In his 1997 publication, Bruce Cumings summarizes Korea's wage conditions with the following statement: "a steady supply of educated and disciplined labor at a set price (well below the market)." Cumings reports that during the 1960s, Korean workers received one-tenth the wages of American workers even though they were two and a half times more productive. English workers were paid higher wages than Korean workers even though, by 1965, 1 out of every 280 Korean workers was college-educated as opposed to 1 out of every 425 workers in England.

The comparisons Cumings emphasize suggests that Korean workers were paid less than workers in the United States and England despite being more skilled than American and British workers. However, simple wage comparisons can lead to misleading conclusions. In 1960, per capita GNP in Korea was roughly \$100, while in England and the United States, per capita GNP was \$1,200 and \$3,000 respectively. England and the United States had already developed economically well before the 1960s. On the other hand, Korea did not experience any economic growth until the 1960s. Therefore, contrasting Korea to England and the United States does not yield comparable results.

Comparing Korea to countries with similar economic development schedules,

like Taiwan and Brazil, yields more accurate conclusions. Like Korea, both Taiwan and Brazil did not experience economic growth until the 1960s. In both Korea and Taiwan, there is a positive correlation between wages and labor productivity from the 1960s to the 1990s. However, the correlation between wages and labor productivity in Brazil is negative. Compared to Brazil and Taiwan, Korean workers actually received wages more commensurate to their rates of labor productivity.



*Teach nationalism today!*

The Korean Government has had a distinct role in launching the myth of the Korean work ethic.<sup>7</sup> This section looks at the Government's use of education and economic policy to promote nationalism in the work place.

Following the footsteps of many countries, the Korean government used education to promote nationalism in its workers. The *Constitution of the Republic of Korea* (1948) explicitly states that "education shall aim [towards] . . . development of a patriotic spirit for the preservation

of national independence." Having recently been liberated from Japanese rule in 1945, the general education level of Koreans was very low. Roughly eighty-five percent of the population had received no formal education. After the Korean War ended in 1953, new educational charters began to single out the objective of increasing nationalism as the primary purpose of education.

The Korean Minister of Education, who reports directly to the President, implements the constitutional mandate for education. The *Report of the Ministry of Education* proclaims the purpose of the *Educational Charter* (1976) as the following: "that in all educational activities should be stressed the spirit of patriotism and love of the nation . . . that cultural heritage and historical continuity of the nation be stressed." Education in Korea has had a distinctly national essence.

The government invested millions of dollars in education during its period of economic growth under the belief that more education would lead to greater labor productivity. However, government expenditure on education exceeded the gains from the increase in labor productivity. Despite this fact, the government continued to over-invest in education throughout the 1970s and 1980s, with the ratio of education expenditures to government expenditures increasing steadily. In comparison to other countries, Korea's expenditure on education, as a ratio of total government expenditures, was 19 percent, an allotment much higher than the 14.4 percent of Singapore, the average 8.4 percent of Western European countries, and the 1.7 percent of the United States.

In terms of economic policy, the government conceived the Heavy and Chemical Industry (HCI) strategy to promote nationalism. "The rationale for such [HCI] industrial strategy was primarily political and security-oriented, an economic nationalism that coincided with the [Korean] perception of the decline of the United States."

Before the 1980s, the threat of an attack from North Korea remained highly probable. From the end of World War II until 1971, Korea remained under the military protection of the United States. Since Korea did not have steel or chemical industries at that time, it relied on the United States to supply all of its military weapons.

In late 1971, the Park regime (1961-1979) decided to alter Korea's economic path in the export-promotion strategy to the development of domestic heavy and chemical industries. The Park regime believed the HCI strategy would strengthen Korea's national independence. The government rallied the public to work harder for Korea's independence from the United States. In reality, "the [HCI strategy] resulted predictably in waste, idle capacity and overall inefficiency."

While Park may have initiated the HCI strategy for national gain, the statistics indicate that the strategy hurt Korea's economy rather than furthered its economic development. Heavy industry requires an abundance of physical capital; however, Korea's comparative advantage was an abundance of labor, not capital. Although the HCI strategy may have increased social awareness of nationalism, it did not translate to lower production costs. Both productivity and wages increased at a comparable rate during the 1970s, indicating that workers were able to demand equitable compensation for their productivity levels despite any nationalism that may have been fostered by the HCI strategy.

A common perception of the Korean 'work ethic' is that "if a worker is lazy, there is peer pressure. School and society teach them that they must work hard." Korean workers are said to have sacrificed for national economic development by working longer hours, accepting lower pay, and complaining less than workers in

other countries. But despite this perception of the Korean 'work ethic,' there exists little evidence that Korean workers sacrificed more for Korea's economic development than Taiwanese, Singaporean or American workers sacrificed for the economic development of their respective countries.

In the manufacturing sector, the hourly compensation rates for workers in Korea and Singapore were higher than the rates for workers in Taiwan, but much lower than the rates for American workers. However, comparing only the real figures is misleading. In theory, the United States should pay its workers more because, as previously noted, its per capita GNP is much higher than the per capita GNP of Korea, Taiwan, and Singapore. The



*At the peak hour, are these workers thinking about national pride?*

higher per capita GNP of the United States verifies that the United States is more economically developed than Korea, Taiwan, and Singapore. A more accurate indicator of equitable worker compensation is the ratio of the hourly compensation rates to per capita GNP as shown in the table above.

The table demonstrates that, on average, Korea compensated workers with a greater portion of its GNP than any of the other countries. In terms of labor share of GNP, Korean workers were better off than workers in Taiwan, Singapore, and even the United States.

Korean workers were adequately compensated and received a larger share of Korea's overall production than workers in Taiwan, Singapore and the United States.

Moreover, the Korean government's attempt to promote economic nationalism in the workforce through the educational system and the HCI strategy failed. The government's attempt may have generated social benefits in the form of a more educated public and greater military strength; however, both the education system and the HCI strategy did not affect the wages of the labor force. In spite of the government campaigns, workers contin-

ued to command wage levels equal to their productivity levels, thereby indicating that money was the driving factor behind labor productivity, not the desire to work selflessly on behalf of the nation.

The conclusions in this article raise two questions. First, if political campaigns for nationalism do not improve economic development, then why were they initiated and maintained by the government? Second, if nationalism did not enhance economic development, then what were the effects of nationalism?

One simple explanation for the use of nationalism is that Korean political leaders blindly followed the footsteps of eco-

**Per Capita GNP and Labor Compensation 1975-1994**

	Korea	Taiwan	Singapore	US
<b>Wage/Hour (\$)</b>	2.54	2.77	2.74	10.5
<b>GNP (\$)</b>	4,480	6,397	11,817	18,867
<b>Ratio</b>	0.00057	0.00043	0.00023	0.00056

nomically successful countries, such as Japan, that emphasized nationalism in its education system and economic policy structure. Korean leadership may have believed that the essence of Japan's success lied within its nationalistic rhetoric.

Throughout his presidency, President Park often referred to Japan in his public speeches, stating "we must make Korea stronger than Japan." The economic policy directives issued by the government during the 1970s state that Korean industries should follow the structure of the Japanese keiretsu conglomerates. When asked if they had any industrial role models, Korean chaebol representatives responded that while they used to look at the Japanese keiretsu when they first developed in the 1960s, now they study American companies such as General Motors.

A more role-oriented explanation is that the military character of the Park regime led the government to emphasize nationalism even at a great financial loss. Park's military character may have prompted the government to undertake nationalistic campaigns. However, this explanation can only be shown through comparative analysis of the political systems of comparable countries. The question is whether countries with military regimes tend to place greater emphasis on nationalism than countries without military regimes.

Nationalism may have provided great social benefits. Another effect of nationalism may be perceived in the organizational structure of the Korean chaebol. The following is information gathered from interviews with the four largest chaebol (in 2000): Korea-LG (formerly Goldstar), Samsung, Hyundai and Daewoo. While each chaebol maintains its own corporate culture, in general, the chaebol emphasizes loyalty to the nation through songs, monthly meetings, and corporate strategies. For example, workers in each chaebol are required to stand-up and sing the corporate song on the first of each month. The following is the relevant paragraph in the translation of the song of LG:

*The morning is rising  
We are hard at work  
Although we suffered in the past  
We are now strong again  
Making Korea better for everyone  
Making Korea better for tomorrow  
So that everyone may see how great Korea is*

Rather sheepishly, the representative of LG stated that until the 1990s, each worker had to know this song by heart. Now, however, workers can be seen socializing instead of singing on the first of each month.

In his 1990 article, David Kreps argued that corporate culture "is more than merely a coordinating device: It is especially useful in coordinating their exercise of the organization's hierarchical authority." For the chaebol, corporate culture estab-

lished "focal points" that may have enhanced economic efficiency.

Until the mid to late-1980s, one advantage of promoting nationalism was that only those chaebol that satisfactorily complied with government demands received financial loans from the public banking sector. Of the four chaebol, Hyundai received the greatest market protection from the government in the late 1970s and 1980s. Not surprisingly, of the four chaebol, Hyundai has the reputation of being the most nationalistic. Even Hyundai recognizes this reputation and agrees that it has the largest share of the domestic market.

In late 1997, the KIA Corporation declared bankruptcy and its downturn became a highly discussed topic in the chaebol community. KIA had three options: first, the government could loan KIA the funds to overcome bankruptcy; second, the government could allow other chaebol to purchase parts of KIA, and third; KIA could disintegrate. Chaebol representatives stated that KIA was re-emphasizing its reputation as a national company to induce loans from the government. In the past, the government often aided corporations with a national reputation, such as the bail-out of bankrupt Korean Air in the 1980s. Unfortunately for KIA, since the early 1990s, the government has slowly withdrawn from the economic sphere and publicly stated in 1997 that it would not bail out KIA or any other bankrupt companies in the future. However, chaebol leaders remain highly skeptical of the government's declaration of a state-free economy.

Conversely, one disadvantage of promoting nationalism for chaebol is that since 1994, each chaebol has had to overcome its reputation as a national company to compete in the international market. While Hyundai controls much of the domestic market, it agrees that the domestic market is saturated. As a result, Hyundai has been forced to seek international markets that have been hostile to the products of corporations associated with particular countries. In Korea, there is hostility towards products made in Japan; similarly, Korea fears hostility in global markets towards products made in Korea. To avoid the prejudice, Hyundai and other chaebol have made huge expenditures aimed towards altering their 'Korean' image to become known as international competitors. Two years ago, GoldStar changed its name to LG with a \$2 billion advertising campaign strategy because it felt that the company would be more competitive in the international market bearing a name not associated with Korea.

Although the government's attempt to instill nationalism in the labor force did not yield labor wage savings, nationalism may have prompted a unique corporate culture. As small businesses begin to emerge in the economy, it will be interesting to see how nationalism will affect the organizational structure of these smaller firms. I hope the questions posed in this article will be answered in the near future for a better understanding of the role that nationalism played in the Korean economy. ■

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