

## **Why Economic Nationalism Promotes Solidarity rather than Conflict?**

Land Reform and Export-oriented Industrialization as Political Institutionalization of Economic Nationalism in Developmental States

**Seokdong Kim**

**International Studies Research Conference  
Working Paper Series No. 18-3  
Department of International Studies  
Claremont Graduate University  
Claremont, California**

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## — Abstract —

My research explains that developmental states' nationalist mobilizations led to both land reform and export-oriented industrialization (EOI). Because these two policies represent plan rationality due to their contribution to developmental states' dual goals of developmentalism and egalitarianism. Economic nationalism has supported solidarity for egalitarianism, which makes developmental states choose rational policies. Developmental states needed to reach a consensus for egalitarianism, in order to gain political legitimacy from citizens under nationalist competitions with East Asian socialist states as their rival states, such as China and North Korea. Under economic nationalism, developmental states initiated progressive land reforms without violence during state building and, by extension, effectively promoted EOI. EOI is an industrialization policy, not a redistribution policy. But during the industrialization period, EOI indirectly helped developmental states promote distribution and redistribution through employment and public education. First, through nationalist competitions with their rival socialist states, developmental states initiated progressive land reforms. Due to an egalitarian effect of land reform, the conservative party gained consistent support from citizens. Secondly, under EOI, developmental states established a symbiotic relationship with firms for economic development. In particular, South Korea and Taiwan effectively switched their import substitution industrialization (ISI) of the period of state building to EOI of their early industrialization period. The analytic narratives approach proposes how qualitative findings of the developmental state model should be translated into generalizable propositions through game theory. In this mixed methods approach, propositions from three country case study of

comparative historical analysis and the analytic narratives approach are generalized to large- $N$  country cases through Pearson's  $\chi^2$  test and regression model.

**Key Words:** Economic Nationalism, Developmental State, Land Reform, Export-oriented Industrialization

\* Revised paper presented at the ISA-West, Pasadena, 2017. I welcome any comments about my paper. Please contact author for revisions before citing.

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## **Introduction**

My research explores why economic nationalism promotes solidarity for egalitarianism rather than conflict for resource monopoly. From state building after World War II, East Asian developmental states, such as Japan, South Korea, and Taiwan, involved into nationalist competitions with East Asian socialist states, such as China and North Korea. Under strong nationalism, developmental states exerted egalitarian land reforms and, by extension, applied export-oriented industrialization (EOI). Of course, EOI itself is a part of the growth-oriented regime, but it has indirectly contributed not only to distribution through near-full employment but also to redistribution policies through public education.

My research argues that economic nationalism in developmental states contributed to egalitarianism during the industrialization period, and thus that developmental states had long-term low inequality as European corporatist states, such as Germany, Austria, and Sweden, did. Additionally, egalitarianism makes the government choose rational policies, such as land reform and EOI. Because developmental states achieved their dual goals of economic development and redistribution, my research evaluates that these plans are rational. Socioeconomically egalitarian foundations help the state choose rational policies, because the state is free from any ruling elites and privileged classes.

Why has economic nationalism promoted egalitarianism rather than conflict in developmental states? In international affairs, nationalism provokes competition and conflict for the monopoly of resources (e.g. natural resources and lands) between nation states, far from mutual coexistence. But in domestic politics, developmental states have internally promoted solidarity for egalitarianism within a nation state, if it has led to national integration and has peacefully overcome ethnic conflicts. To solve this puzzle, this paper examines how economic nationalism in developmental states has supported egalitarianism. Both land reform and EOI are challenging processes that the state requires a broad consensus from citizens. Nationalist regimes are likely to choose exclusive policies on markets rather than economic internationalism, such as EOI. However, developmental states could achieve both land reform and EOI under economic nationalism, overcoming exclusive policies, such as import substitution industrialization (ISI). Developmental states' progressive land reforms have been peaceful, while revolutions as well as

East Asian socialist states' revolutionary land reforms have been violent. Developmental states' egalitarianism gained a wide support from citizens. Because these states initiated progressive land reforms without violence, they effectively promoted EOI.

From theoretical and substantial perspectives, my research solves puzzles in East Asian political economy. Firstly, it examines how land reform has a positive influence on EOI by emphasizing the role of economic nationalism in egalitarianism. My research explains why developmental states have succeeded in EOI unlike other developing countries, by explaining the causal mechanism from land reform to EOI. In a developing country, in particular low income or underdeveloped economies, the prioritization of exports over domestic consumption is a risky and challenging strategy. The main reasons are that the government of a developing country cannot easily satisfy citizens' needs in consumption over industries for exports, and that it lacks capital for investment in export-oriented industries, and because this government is vulnerable to international and government debts. To reach a consensus for the goal for EOI is not easy for developing countries. Therefore, many developing countries, in particular Latin American states and socialist states, prioritized ISI over EOI. Many scholars were not interested in the positive effect of land reform on EOI. Meanwhile, only a few scholars, such as Alice Amsden (2001), identified this positive effect and, by extension, my research emphasizes additional role of economic nationalism in this causal mechanism. My research highlights that these states could effectively switch from ISI and EOI after the 1960s mainly for the following reasons: During state building, land reform dismantled previous ruling elites and landed elites and, by extension, enhanced state capacities; In the next step, egalitarianism from land reform helped their political regimes easily reach a national consensus with citizens under strong regime legitimacy.

Secondly, my research finds how ethnically homogeneous societies, representatively Japan and South Korea, reach a consensus for social reforms, such as land reform, and also for developmentalism, such as export promotion. Although previous research highlights causation from ethnic homogeneity to low inequality (e.g. Alesina 2002) or to high economic growth (e.g. Easterly and Levine 1997), the causation from ethnic homogeneity on the one hand, to land reform and EOI on the other, has not been explained.

Regarding research strategies, my eclecticism between historical and rational choice institutionalism provides a framework to apply a comparative historical analysis (CHA) of East

Asian case studies to a rational choice approach, because my research selectively integrates historical institutionalism and rational choice institutionalism. This eclectic approach starts from CHA on land reform and EOI. From the analytic narratives approach, my research explains how the historical interpretation of the developmental state model can be understood as rational choice perspective between the state and firms. My research reinterprets CHA into game-theoretic models. Eventually, quantitative research, such as Pearson's  $\chi^2$  tests and regression models, generalizes the developmental state model into large- $N$  research that includes all available country cases during the industrialization period until 2005 before the era of post-industrialization and globalization.

The next section interprets the role of economic nationalism in land reform and EOI through new institutionalism. In Section 3.2, CHA describes why developmental states achieved plan rationality through land reform and EOI. In Section 3.3, the analytic narratives approach generalizes the logic of developmental states through game-theoretical models. Section 3.4 examines this logic through quantitative research. Section 3.5 evaluates the positive role of economic nationalism in redistribution, and the Conclusion summarizes the whole analysis.

## I. New Institutionalism: Theoretical Review and Application to Developmental States

### 1. Historical Institutionalism: Critical Junctures and Path Dependence on Plan Rationality

To evaluate developmental states' plan rationality, my research interprets the role of economic nationalism in land reform and EOI in the prism of new institutionalism—historical institutionalism and rational choice institutionalism. In historical institutionalism, political institutions are usually sustained by path dependence and, by extension, evolve from positive feedback (increasing returns) or critical junctures. A *critical juncture*—in Stephen D. Krasner's (1988) words—breaks down old regimes, and creates new regimes. As an extension of Charles Tilly's (1985) thesis that war makes strong nation states, Joel Migdal (1988: 262) emphasizes the “massive societal dislocation” which creates “strong states.” States would not be able to enhance state capacities, if it were not for exogenous factors first creating catastrophic conditions. This

dislocation is a necessary condition for state building and the emergence of a strong state (p. 269). In developmental states, Japanese colonialism, World War II, the Korean War, and China's Civil War have been the massive societal dislocations which have severely weakened old regimes' social control and have fostered a new regime's rule.

From wartime social mobilization, developmental states have established dense coordination with firms. Peter B. Evans (1995: 12) argues that when the state exerts "embedded autonomy" with which it may coordinate with firms in the cooperative network, it can successfully involve itself in industrial transformation. In his word, only when embeddedness and autonomy are combined together, a state can evolve into a *developmental* state (emphasis added). Thus, the organized state can effectively promote its aims with the help of dense coordination between the state and firms.

In East Asia, postwar state-building as a new status quo has an effect of path dependence that persists in national development. War as a critical juncture has created strong nation states. Endless competitions between China and Japan and between the two Koreas have made developmental states mobilize national resources. Land reform has been critical in postwar state-building, and EOI has been another important step for rapid industrialization. Both East Asian socialist states and developmental states have exerted strong state capacities through mobilization systems, but these socialist states failed in EOI. But the combination between land reform and EOI have made developmental states evolve into strong states for developmentalism and egalitarianism.

Postwar state-building has made path-dependent effects on corporatism development (Pempel 1989) as well as party system formation (Pempel 1990) in all developmental states. Developmental states have reached an extensive consensus to efficiently extract national resources. My research defines that the state's mobilization system and its asymmetric coordination with firms but without labor are the main components of *conservative corporatism*.

In the institutional analysis, state capacity is considered a necessary condition for redistribution via taxation (Soifer 2013: 4) or land reform (Rodrik et al. 1995). By extension, my institutional analysis highlights the role of land reform in EOI. Hillel David Soifer (2013: 18) points out that in effective states, peasants play in normal politics and seek legislation and enforcement through institutionalized measures. Following his logic, my research exhibits that in

abnormal politics in weak states, the masses have relied heavily on direct action in the form of civil war, terror, anti-government protest, demonstration, or land invasion. In Samuel P. Huntington's ([1968] 2006: 12) political development theory, political order is one indicator of political institutionalization as political development. In the modernization process, land reform has contributed to peaceful national integration. In developing countries, the most significant form of illegal and often violent activity for promoting reform is the land invasion, which is a major form of political disorder (p. 358). Where the conditions of land-ownership are equitable and provide a viable living for the peasant, revolution is unlikely (p. 375). Thus, land reform is an important redistribution mechanism for political stability (p. 358).

As government performances led to consistent and robust policy support for the ruling parties, developmental states did not have to be obsessed with short-term interests. Their development could realize egalitarian distribution during state building and long-term low inequality during rapid industrialization, and could also provide public goods like public education. Clientelism—which is defined as crony capitalism and the creation of club goods (or private goods) rather than public goods—is more prevalent in authoritarian countries than in democratic countries (Hicken 2011; Hagopian et al. 2009). However, South Korea and Taiwan's EOI was programmatic rather than clientelistic. Due to this policy performance, developmental states gained popular support from citizens for economic performances and long-range modernization visions (Woo-Cumings 1999).

## **2. Rational Choice Institutionalism: Plan Rationality versus Plan Irrationality**

In the structure-induced equilibrium (SIE) perspective, actors' strategic interaction under structure and procedures produces the rule of game and, by extension, results in the formation of endogenous institutions—in Kenneth A. Shepsle's (1986) words, “institutional equilibrium.” When transaction costs of change are larger than benefits from institutional change, institutions tend to persist—for Shepsle, “equilibrium institutions.” In particular, from rational choice institutionalism, Daron Acemoglu (2003) supposes that the social contract between the ruler and citizens on state building determines the direction of the state's development. He argues that,

during state building, political elites differed in the rules of the game that would be best for their country in their perspective.

Regarding a rational choice interpretation into electoral politics, Thad Dunning (2011) shows that conflict may be a strategic substitute or a complement of an election if political institutions do not reflect citizens' participation. Armed conflict and electoral politics are mutual substitutes if political actors reach an agreement through elections. In *abnormal* and *un-institutionalized* politics, the disagreement may lead to conflicts. The two can be strategic complements if actors deliver violence to reinforce their electoral aims. The strategic option of violence must be conditional upon political institutionalization because fair elections under strong institutions may lead to consensus making and, by extension, the prevention of conflicts among political actors. Political institutionalization may prevent people from abusing violence as either a substitute or a complementary means of an election. In developmental states, progressive land reforms was peaceful because of a broad consensus for egalitarianism. By extension, developmental states formed mobilization systems as one type of the political institutionalization. During the industrialization period, developmental states gained their long-term blueprint and redistributed national resources for national interest. Both land reform and EOI have been smart policies to materialize plan rationality, because these policies have contributed to the state's dual goals of developmentalism and egalitarianism.

Rational choice institutionalism elucidates not only commonality in all developmental states' plan rationality but also the contrast of developmental states' plan rationality versus East Asian socialist states' plan irrationality. My research interprets Chalmers Johnson's comparative historical analysis of developmental state theory into rational choice institutionalism. According to Chalmers Johnson's (1982) monumental work, *MITI and the Japanese Miracle*, "the modal economic planning bureaucracy in Japan, the Ministry of International Trade and Industry (MITI), constructed a Weberian ideal type of an interventionist state that was neither socialist (as a 'plan-irrational' state in which both ownership and management remained in the hands of the state) nor free-market (no plan, and where private control coincided with private ownership): the *plan-rational* capitalist developmental state, conjoining private ownership with state guidance" (cited in Woo-Cumings 1999: 1-2; Italics added). According to Max Weber's ([1922] 1978:

chap. 9) definition, the government as the central agency of the nation state is the sole organization that the nation state may legitimately monopolize violence (and coercion).

If planned economy is essential for late industrializers to achieve development, why have developmental states achieved sustainable economic development, while previous socialist countries, such as Stalinist Soviet Union, pre-reform era China, and North Korea, did not? The contrasting regimes of China and Taiwan, as well as those of South and North Korea, connote the influence of social contracts during state building. These states' ideology reveals the contrasts of capitalism and democracy in developmental states on the one hand, versus socialism and totalitarianism in East Asian socialist states on the other. In particular, war has significantly influenced social contracts between winning coalitions during state building. At the early stage in division of the Korean peninsula into the two Koreas, capitalism supporters migrated to South Korea, while communism believers voluntarily moved to North Korea. The increasing gap in economic power between South and North Korea reinforced North Korea's intention not to be absorbed into South Korea. Similarly, supporters to the *Kuomintang* (KMT) followed the KMT's new nation state building in Taiwan Island. These separationist movements and stances have created "equilibrium institutions"—what Shepsle (1986) calls—which would conflict with China's ambition to incorporate the Taiwan state into one China or South Korea's dream to unify the two Koreas peacefully. Voluntary immigration of Koreans or Chinese must be their rational choice in their belief under social contract during state building. According to Albert O. Hirschman's (1970) metaphor, people have options, such as exit, voice, and loyalty, in the political market. East Asian people applied the "exit" option for their loyalty to their own regime.

From land reform, near-full employment, and public education, developmental states effectively persuaded their citizens to share the belief that "growth will enhance distributions"—what Roland Benabou (2000: 113) calls. Benabou (p. 96) explains this shared belief with a concept of *social contract*; although developmental states prioritized rapid economic development over social welfare, they subsequently provided citizens with human capital investment and public health insurance programs. Benabou argues that, in growth-enhancing redistributions, the faster economic growth under the more redistributive social contract arises from a more efficient allocation of investment expenditures, such as human capital investment

and public health expenditures. Under deep-rooted historical identity, wartime social mobilization, and interstate competitions, developmental states utilized economic nationalism as the *state ideology*.

During state building, both South and North Korean elites differed in their rules of the game that would be best for their country to realize modernization regarding political development and economic development. In Acemoglu's (2003) view, leaders in the two Koreas adopted competitively contrasting strategies to modernize their country. Specifically, South Korea adopted democratic institutions, capitalism, and economic nationalism; whereas, North Korea backed up totalitarian rules, socialism, militarism, and its own state ideology, which is called *Juche* (self-reliance) ideology. Each Korea infused its own ideology into its citizens and manipulated its own norms, matched to its own regime.

The two Koreas commonly created strong mobilization systems in the process that they competed for their own regime's supremacy and legitimacy. Japan's defeat in World War II, subsequent occupation by the United States and the Soviet Union, and the balance of power between the liberalist and the communist bloc in the Korean War completely split the Korean peninsula into South and North Korea. Regarding the common origins of mobilization systems, endless competitions among neighboring great powers and serious tensions between the two Koreas have helped each Korea effectively mobilize national resources. These two same Korean ethnic communities maintained same national identity, but the two Korean states became mutual enemies regarding national defense. Although the Korean War totally destructed each Korea's economic foundations and infrastructure, its mobilization system rapidly transformed its state: South Korea's mercantilist capitalist state and North Korea's military state. Furthermore, Japan's colonial rule has provided a favorable condition for mobilization system formation. Ironically, despite Koreans' resistance for independence against Japan's colonial rule, the two Koreas commonly imitated the Japanese mobilization system for modernization (Cumings 1989). During the industrialization period, South Korea adopted Japan's statecraft. Some positive political economists who advocate *colonial modernization theory* (식민지근대화론) even argues that Korea's socioeconomic modernization occurred under Japan's colonial rule (Rhee 1996; Ann 1997).

As for one critical example of *development disaster*, why did North Korea become a military state, while South Korea evolved into a mercantilist state? Their different modernization strategies have differentiated South Korea's socioeconomic egalitarianism through progressive land reform with North Korea's politico-economic monopoly via the Party through violent land reform. Of course, South and North Korea shared same deep-rooted culture, history, and identity, because premodern Korea was a united country for the most of Koreans' national history before the mid-twentieth century. But South and North Korea established the exact opposite political and economic regimes under their nationalist competitions. Eventually, the two Koreas established commonly the ruling party's mobilization system despite different ideology: South Korea's conservative party dominance versus North Korea's totalitarian party system. South Korea's mobilization system initiated land reform and EOI. These contrasts have created the contrasting development of South Korea's *development prosperity* versus North Korea's *development disaster*.

## **II. Comparative Historical Analysis of Land Reform and Export-oriented Industrialization**

### **1. Land Reform: A Progress for Egalitarianism**

Through nationalist competitions with their rival socialist states, developmental states' progressive land reforms have exhibited their progressive idea on egalitarianism. One puzzle is why developmental states' progressive land reform has been peaceful, while socialist states' revolutionary land reform is violent. Generally, revolution and war are accompanied by violence. But developmental states initiated progressive land reforms peacefully. The conservative parties in developmental states desired to gain *political legitimacy* from citizens under nationalist competitions with East Asian socialist states as their rival states, such as China and North Korea. In particular, during state building, China and North Korea were alternative states which might replace Taiwan and South Korea respectively. Thus, developmental states needed to reach a consensus for land reform. Jong-Sung You (2016: 18-19, 84-85, Chapter 4) finds that South Korea and Taiwan succeeded in land reform because of the communist threat from North Korea

and Mainland China, as well as the United States' pressures for reform. In South Korea, policy makers who drafted the Korean Constitution thought that land reform would be the best way to prevent communism. President Rhee Syngman expressed strong political will for land reform, by appointing ex-communist Cho Bong-am as Minister of Agriculture (You 2016: 85).

Due to land reform during state building, both East Asian developmental and socialist states were egalitarian societies regarding income and land. Land reform in developmental states brought about a significant decrease in inequality in income (see Table 1.1). Japan, South Korea, and Taiwan competitively introduced revolutionary land reforms in the 1950s. Klaus Deininger (2003: 18) finds a positive relationship between initial land distribution and economic growth. Regarding land Gini coefficients in Deininger's investigation, South Korea was 0.35, China was 0.37, Japan was 0.42, and Taiwan was 0.46 in the land reform period. According to the FAO, even in 1990, South Korea was 0.34 in the second lowest rank, which was next to Finland's 0.26.

Under economic nationalism, developmental states initiated land reform. As land reform has led to egalitarianism, developmental states have promoted social peace and political order. In developmental states, land reform has been a foundation for redistribution mechanisms. You (2005; 2016: 64, 67, Chapter 4) argues that South Korea and Taiwan maintained low inequality and corruption with the help of land reform, while failure of land reform in the Philippines led to a high level of inequality and corruption.

Furthermore, the invention of East Asian developmental or socialist states embraces the evolution from traditional states to modern states, while nationalism invents the nation. Nationalism and egalitarianism exert a synergic effect in the evolution of nation states in East Asia. For example, nationalism replaced the feeble Qing dynasty with two strong Chinese states—Mainland China (PRC: the People's Republic of China) and Taiwan (ROC: Republic of China)—on the one hand, the weak Chosun dynasty with South and North Korea on the other. All new Chinese states and Korean states established mobilization systems through land reform.

Regarding modernization, developmental states have taken advantage of their land reform for national development. While China and North Korea applied violent, revolutionary land reform, developmental states' land reform was non-revolutionary, peaceful, and progressive for egalitarianism. In Huntington's view ([1968] 2006: 379), land reform in the modernization

process has contributed not only to social welfare and political stability but also to consistent economic development.

What does egalitarianism through land reform mean in state capacities? Land reform purged previous ruling elites, like aristocrats, landed elites, and religious leaders. By extending Tilly's (1985) causal mechanism that war makes nation states exert strong state capacities, not only war (the Korean War and China's Civil War) but also land reform dismantled previous ruling elites' bureaucracy and state system in both East Asian developmental and socialist states. In strong states, land reform is an effective measure for redistribution, because it is immobile and can be redistributed with minimal economic distortion (Soifer 2013: 6; Boix 2003: 216; Acemoglu and Robinson 2006: 303). In particular, pre-industrial states can promote redistribution through land redistribution as well as progressive taxation.

During state building, East Asian societies had weak social cleavages, which mean weak social classes under the state's strong hegemony in domestic politics. Thus, the post-war winning coalition could intentionally create new alliance partners, such as chaebols (Jones and Sakong 1980). Chaebols are Korean private large firms as the form of conglomerates. As developmental states maintained weak social cleavages in postwar state-building, they intentionally created political cleavages for favorable electoral conditions (Pempel 1990). By comparison, South Korea built their nation state after the breakdown of previous ruling elites, and the United States did in the absence of previous ruling elites. Thus, these states might be commonly called *lands of opportunity* while imagining their new community from Benedict Anderson's (1991) perspective. In the early American society, settlers did not inquire the other settlers about the makeup of their ancestry, whether it is the commoner or the nobility. In South Korea, the Korean War dissipated previous ruling elites and, by extension, land reform purged the landed elites. Chosun dynasty aristocrats' previous authority became meaningless in a new Korean state. Land reform enhanced state autonomy by weakening the dominant class, because there were no powerful conflicts on economic interests between the state and the class (You 2016: 91). Eventually, war and land reform made developmental states create mobilization systems.

Egalitarianism during state building provided developmental states with favorable conditions for sustainable economic development, because egalitarian distribution led to the improvement of public education. Human capital was an essential asset in technological innovations for

export-oriented industrialization. Benabou (2000: 97; emphasis added) argues that “growth-enhancing redistributions” are accompanied by education and land policies in developmental states in contrast to Latin American states. In South Korea, land reform and egalitarian income distribution in turn contributed to equal opportunities to education and improvement of labor productivity (Kwon 1984).<sup>1</sup> Although the Korean government prioritized manufacturing industry over agriculture in the industrial period, it could equalize rural and urban incomes through the costly expedient of a farm-price support program accompanied with subsidized low food prices for consumers (Scitovsky 1985: 218).

Developmental states further gained *political legitimacy* through land reform (Studwell 2013). During the 1950s, South Korea’s Rhee Syngman government and Taiwan’s the *Kuomintang* (KMT) regime voluntarily propelled progressive land reforms. These authoritarian governments intended to win in the nationalist competitions of legitimacy with their alternative states, North Korea and China, both of which formulated collectivist planned economies. Both the Korean War and the land reform made South Korea one of the world’s most egalitarian societies, because they dismantled previous ruling elites and created initial egalitarian structure.<sup>2</sup> Of course, the Korean War standardized Koreans’ living downward, but it disintegrated previous redistribution and hierarchy structures. In Taiwan, after the KMT was defeated by the Chinese Communist Party (CCP) in civil war, the KMT evaluated that the failure of its control over Mainland China in the early twentieth century was mainly caused by the failures of land reforms, hyperinflation control, and corruptions within the state apparatus (Chan and Clark 1992: 144-46).

Land reform has been a critical juncture in postwar state-building, but East Asian socialist states and developmental states differed in the method to implement land reform. In China and North Korea, land reform destroyed the foundation of the previous order, cleared the ground for

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<sup>1</sup> The number of enrollments in primary school doubled between 1945 and 1955 despite the Korean War’s (1950-1953) devastating effects on the whole society. The enrollment in secondary schools increased more than 8 times. Eventually, the enrollment in universities increased ten times during the same period.

<sup>2</sup> A progressive economist, Tain Chung, points out that the Korean War and the land reform created the initial egalitarian conditions in South Korea. *Kyunghyang Shinmun*. “양극화, 문제는 분배다.” June 8, 2014.

new political organizations, recruited new leaders from among formerly marginal social groups, and granted benefits to the vast majority of peasants. It demolished the existing foundations of both political and economic power, especially in rural areas. The Chinese party-state's power replaced traditional landed elites' power in this power vacuum. The CCP's new state structure was the alliance between the CCP and peasants. It was contrasted to the Nationalists' alliance with local landowning and merchant groups to exercise power. Eventually, the CCP gained widespread support for the new party-state, and hence it created state machinery that could directly collect taxes from individual households (Walder 2015: 45-48).

Meanwhile, in developmental states, moderate but effective land reforms were carried out, and thus they led to the egalitarian distribution of income and assets. Developmental states' nonrevolutionary approach in land reform is contrasted with the violent mode of China and North Korea. These reforms created the foundation for rapid rural development (Walder 2015: 50-51). Their land reforms created a prosperous rural market economy based on widespread smallholding agriculture, leading to rising living standards and rapid economic growth without the bloodshed unlike China's land revolution (p. 333). Eventually, developmental states' progressive land reform was more moderate than East Asian socialist states' revolutionary land reform; however, the former's land reform became a toehold for EOI.

Even after the success in egalitarian land reforms, East Asia's ethnically homogeneous societies have also developed public land-ownership, which promoted the equalization of land rights. This egalitarianism has been a basis for consistent economic development. In South Korea, Park Chung-hee's regime introduced the public concept of land ownership (**토지공개념** [土地公概念]) in the 1970s, and President Roh Tae-woo institutionalized this concept through real estate laws in the late 1980s. In Taiwan, Sun Yat-sen's (孫中山) pre-republican revolutionary platform introduced the equalization of land rights. His statist ideology is reflected into the KMT's Leninist party structure and land-use laws (Chen 1961: 10). The purpose of the equalization of land rights has been to secure an even, nationalized distribution of the benefits of land as common property (Bishai 1991: 54-55). By controlling land, developmental states have enhanced their capacities to implement industrial policies through land development.

## **2. Export-oriented Industrialization: Effects on Distribution and Redistribution**

Export-oriented industrialization (EOI) is an industrialization policy, not a redistribution policy. But during the industrialization period, EOI indirectly helped developmental states apply distribution and redistribution policies, such as employment and public education. For low-income, developing countries, a broad consensus from citizens helps the government effectively implement either land reform or EOI. Both land reform and EOI are challenging processes for developing countries. But because of egalitarianism through land reform, developmental states effectively reached a broad consensus for land reform. By extension, because of policy performances on high economic growth, developmental states gained support for EOI from citizens.

For developing countries in particular in the initial industrial stage, EOI was regarded as a risky strategy, whose success is not guaranteed. Of course, South Korea and Taiwan applied ISI in the early period of industrialization in the 1950s. But developmental states established the industrial regimes and legal systems for EOI in their early industrialization period, such as Korea's Rhee Syngman (이승만) government in the 1950s (Kim 2016). The evaluation of the World Bank (1961) on South Korea's EOI was highly pessimistic: "There can be no doubt that this development program [the First Five-Year Plan] by far exceeds the potential of the Korean economy. ... It is inconceivable that exports will rise as much as projected" (cited in Kang 2002: 181). However, South Korea's performances on export promotion far exceeded its original plan.

Among developing countries, developmental states' planned economy and rationality are contrasted with the previous government failures of socialist states or Latin American states. This contrast exhibits a crossroad of plan rationality versus plan irrationality. Developmental states have achieved plan rationality through land reform and EOI unlike plan irrationality of socialist states, because planned economy has importance in the early industrialization. Alexander Gerschenkron (1962) argues that late-industrializers may take advantage of the backwardness in the world economy, as they draw upon the capital, technology, and experience of the early developers. However, only a few late-comers, such as developmental states, did, while many developing societies, such as Latin American states, revealed the failure of economic development in the early industrial stage.

A main reason of this failure is that Latin American states failed in land reform and had neither planned economy nor rationality, because they were heavily influenced by landed elites and multinational firms. Meanwhile, socialist states had planned economy, but their plans were irrational. These states initiated large-scale land reforms, but the communist party and the government monopolized domestic economy. Thus, party cadres involved in special interest and rent seeking, which are far from a symbiotic relationship and consensus making between the state and firms. While land reform in developmental states dismantled previous ruling elites like aristocrats and landed elites, land reform in socialist states created another type of aristocrats: party cadres, which are called red aristocrats. Thus, under egalitarianism, developmental states consistently initiated EOI unlike Latin American states or East Asian socialist states.

In the early industrialization period, developmental states sought for national prosperity through exports, as they bore neo-mercantilist aims to jump to advanced capitalism by utilizing world trades (Samuels 1994). The government and the public shared the goal of economic development as a national priority to put their countries on an equal footing with the West (Haggard 1988). For example, South Korea instilled patriotism to reach a national consensus on exports with citizens. Park Chung-hee's regime diffused a propaganda of *the establishment of a nation on the basis of the exports* (수출입국 [輸出立國]) through the entire Korean society (Institute for International Economics 2003).<sup>3</sup> As another example, although Japan was the world's second largest economy, the ratio of trades of domestic economy was significant because the Japanese government encouraged its large firms to increase exports under a catchphrase of *the establishment of a nation on the basis of the trades* (貿易立國) (Shibayama 2013). In developmental states, export promotion was an engine for rapid industrialization under state-led partnership with large firms or public firms.

The prototype of the developmental state is late nineteenth century Germany under Chancellor Bismarck that challenged early industrializers like the Great Britain and France. Japan as another late-industrializer imitated the nationalist development from the German

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<sup>3</sup> Chosun Ilbo. <http://pub.chosun.com/client/news/viw.asp?cate=C06&mcate=M1025&nNewsNumb=20140915514&nidx=15515>; <http://www.economytalk.kr/news/articleView.html?idxno=154049#07AG>. Accessed on Mar. 29, 2018.

bureaucracy, dreamed of *national prosperity and military power*, which as a rhetoric of the neo-mercantilist state is expressed as “rich nations with strong armies” (富國強兵: Samuels 1994).<sup>4</sup>

Nationalist economics theory—inspired by a German economist, Friedrich List—influenced not only Germany but also developmental states.

As South Korea and Taiwan switched their ISI of the period of state building to EOI of their early industrialization period, they encouraged firms to advance in exports through bold investments. In general, developing countries under strong nationalism are likely to choose exclusive policies in domestic markets and world trades, such as ISI; however, under economic nationalism, the past South Korea and Taiwan as developing countries adopted internationalism, positively utilizing foreign aids and EOI. In particular, Park Chung-hee in South Korea and Chiang Kai-shek in Taiwan instilled patriotism into their citizens, when they embarked on the *comprehensive national development plan* (e.g., *국토종합개발계획* in Korea) for rapid industrialization. Kimura Kan (木村 幹 2007: 376) argues that Koreans’ self-perception of their state as a *small state* affected the development of nationalism. Korea’s first President Rhee Syngman (이승만) was a realist, who regarded the South Korean state as a weak and small state surrounded by great powers. In his view, it is natural that South Korea should receive economic and military aids from the United States, because the United States’ engagement in the Korean Peninsula is one reason for the division into the two Koreas, and because the United States permitted the North of the Peninsula to be occupied by the Soviet Union. He negotiated with the United States to induce foreign aids as much as possible (pp. 396-397, 403).

In South Korea, President Park Chung-hee met chaebol owners individually, and then allocated key industries. He strongly recommended that they should pioneer new industries and markets. They could not engage in new industries without the state’s financial and institutional support. Since 1965, he organized the export promotion conference with enlarged membership (*수출진흥확대회의*) every month. In that conference, industry representatives (mainly chaebol

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<sup>4</sup> Literally, “富國強兵” is “enrich the state, strengthen the military.”

owners) and finance representatives (national bank CEOs) as well as President Park and ministers relevant to trade and commerce participated in that conference. They checked export trends on the basis of month, items, and regions. President Park made export firms compete for higher performances in world trades, and awarded champions as the principle of self-reliance or self-help (Jwa 2003).

By extension, it is impressive that developmental states were not satisfied with comparative advantages destined by their industrial stage, and even did *create* comparative advantages against autonomous operation of the market through their coordination with firms to enhance exports. In its early industrialization period, many western economists, such as G. C. Allen, suggested that South Korea should prioritize labor-intensive industry over capital-intensive industry according to comparative advantage theory, but Korea boldly invested in capital-intensive and technology-based industries. Originally, the United States advised South Korea to adopt development strategies of stable growth with open economy and opposed the Five-Year Economic Development Plan (제1차 경제개발 5개년계획), because the plan seemed too nationalistic and unrealistic in the viewpoint of neoclassical economics (Jae-Wook Kong 2005: 242-43). This plan was Korea's first comprehensive plan, was ambitiously initiated by the government. The Korean government estimated average annual growth rate of 7.1%. South Korea realized its technological innovations through its coordination with large firms and with the help of improvement of human capital. It aggressively and willfully invested in domestic industry for further advancement in the economic structure.

Developmental states' plan rationality and firms' entrepreneurship have created comparative advantages which help the state renovate industry structure for economic growth. Paul Krugman (1994: 67) claims that East Asia's input-driven growth is inevitably limited, since a mere increase in production factor inputs without an increase in efficiency must run into diminishing returns. But during the industrialization period, Korean firms' control center had positive business outlook for the strategic decision making. Strong growth orientation of the state and large firms promoted trades. Increasing exports have contributed to the growth of Korean economy (Choi 2006). Japan concentrated all efforts to become a powerful industrial and technological state, simultaneously promoting domestic social harmony among Japanese people (Samuels 1994). Firms invested in strategic industries, because the government supported firms

under the standard of meritocracy for EOI. Importantly, both land reform and EOI have become developmental states' plan-rational products of economic nationalism.

By comparison, developmental states have promoted exports through conservative corporatism (Pempel 1989), while European corporatist states have utilized world markets through democratic corporatism (Katzstein 1985: 30-33). Conventionally, it is considered that growth-oriented regimes and export promotion policies started to bring about inequality in developmental states. However, under EOI, employment and public education might contribute to decrease in inequality.

### **III. Analytic Narratives: Economic Nationalism for Plan Rationality on Redistribution**

#### **1. The Analytic Narratives Approach: A Nested Game in Macro-historical Processes**

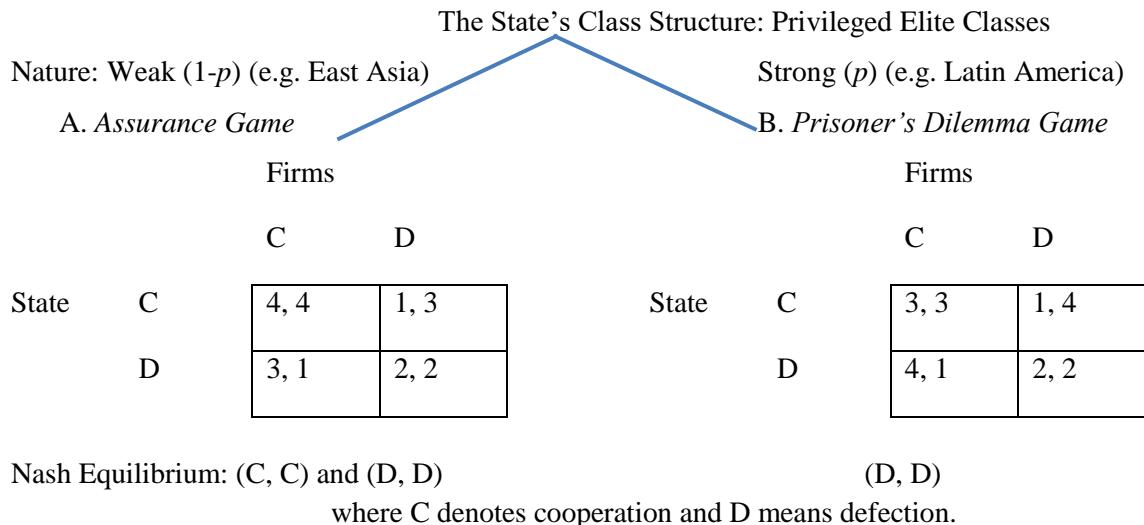
My research applies the historical interpretation of developmental states to both game theory and quantitative analysis. The analytic narratives approach contextualizes game-theoretic models with rich historic description, and thus provides knowledge to understand actors' choices and devise their political strategies (Bates et al. 1998). It offers causal regularities encompassing historical cases, and contributes to theory-building. Meanwhile, classical rational choice theory as deductive theory displays an ahistoric perspective without reflecting a complete political anthropology. In a nested game theory, historical contexts need to be analyzed beforehand in the strategic interactions between the state and firms.

In the *analytic narratives* approach, developmental states' dense coordination with firms for rapid industrialization can be understood in a game-theoretic logic. Figure 3.1 proposes developmental states' dense coordination with firms for redistribution. In the payoff structure, payoffs 4, 3, 2, and 1 are ranked according to the preference order to each party, either the state or firms. Payoff 4 is the first priority that each party hopes to choose, while payoff 1 is the worst option for each party. In Table 3.1, *assurance game*, the preference order is listed as CC > DC > DD > CD. In assurance game, where utilities are beneficial to all parties, this symbiotic

relationship will lead to EOI. In *prisoner's dilemma game*, the preference order is DC > CC > DD > CD.

Nationalism and postwar state-building are the preconditions of the games between the state, large firms (or public firms), and small firms. As developmental states competed with East Asian socialist states, progressive land reforms purged previous ruling elites and landed elites. In particular, Korea and Taiwan had no powerful economic elites after land reform, because landlords lost most of their wealth due to land reform and war.

**Figure 3.1.** Development Strategy Game during State Building: EOI versus ISI



**Table 3.1.** Payoffs in Contrasting Industrialization Strategies

Decision	Strong Elite Classes ( $p$ )	Weak Elite Classes ( $1-p$ )
Export-oriented industrialization (EOI)	$a$	$b$
Import substitution industrialization (ISI)	$c$	$d$

$b > d$  (A1) and  $c > a$  (A2); therefore,  $EU_{EOI} - EU_{ISI} = [a \times p + b \times (1-p)] - [c \times p + d \times (1-p)] > 0$ .

1) East Asian developmental states ( $p=0$ ):

$b - d > 0$ ; hence, outcome: EOI ( $\rightarrow$  employment and human capital).

2) European corporatist states: During state building ( $0 < p < 1$ ); at present ( $p=0$ ).

3) Latin American states ( $p=1$ ):  $a - c < 0$ ; hence, outcome: ISI.

During state building, all developmental states exerted strong state capacities for export promotion. Of course, as chaebols which are family-controlled conglomerates grew over time under strong alliances between the state and firms, political and economic elites were largely separated from each other (You 2016: 127). But in the early industrialization period, developmental states created the bureaucratic hierarchy and state-led asymmetric alliances with subnational institutions (e.g. the party system and interest groups). Thus, strong nationalism and the initial egalitarian distribution created a symbiotic relationship between the state and firms that led to export-oriented industrialization (EOI). In particular, although South Korea and Taiwan adopted ISI during state building, these states effectively switched from ISI and EOI in the early industrialization period through their partnership with firms. Developmental states' main developmental strategies were export promotion as well as public education to enhance human capital. If the privileged elite classes are weak under strong national integration as seen in East Asia, the state and firms mutually will create dense coordination in the context of assurance game for EOI. In assurance game, utilities are beneficial to all parties. Meanwhile, weak states with unequal societies are coopted by privileged landed elites. These states make alliances with privileged elite classes, excluding firms. They apply ISI, as Latin America did in the past. Under the strong hegemony of privileged elite classes, the state and firms involve in prisoner's dilemma game; the mutual betrayal will choose ISI, which is economic suicide against sustainable economic development.

European corporatist states also utilized world markets, as developmental states did. Initially, European corporatist states delivered the mixed strategies between assurance and prisoner's dilemma games, because during state building the government experienced the severe tensions between the bourgeoisie/industrialists and landed elites (Lipset and Rokkan 1967). However, the expansion of labor has institutionalized welfare regimes, in which incrementally leads to low inequality.

Developmental states commonly initiated land reform, which enhanced human capital. Thus, these states shared the same goals between the state and large firms for export promotion that leads to near-full employment. According to You (2016: 90), land reform promoted the expansion of education, which in turn led to the development of professional bureaucracy, active civil society, industrialization, and economic growth. By extension, my game-theoretic and

quantitative models find the causal link from land reform to the expansion of education, eventually to EOI which reduces unemployment rates.

## 2. The Quantitative Logic of Nationalism, Land Reform, and EOI

My research provides a game-theoretic logic and quantitative research to highlights causation from land reform to EOI. The *land reform* dummy variable denotes successful countries for land reforms from research of Deininger (2003) and Myung Ho Park (2012). These countries include Japan, South Korea, Taiwan, Finland, Ethiopia, and socialist countries, which were influenced by the Soviet Union or China. Similarly, some states were created in the new structure free from the previous traditions. Their public land-ownership had an egalitarian effect similar to land reform. These country type includes Singapore and Israel. Both land reform and public land-ownership dismantle the landed elites and promote egalitarian redistribution of assets. Regarding land reform, I follow Tilly's (1985) insight that major war destructs previous privileged classes, such as landed elites, after major war; strong states are more likely to lead to redistribution through land reform (Rodrik et al. 1995). Next, EOI is a policy variable, which is hard to measure in a quantitative approach. Thus, I propose proxy variables, such as 1) export growth rates and 2) the ratio of exports in GDP. My regression analysis estimates export growth rates (as the dependent variable) to explain export promotion (in Table 3.3).

In developmental states, ethnic homogeneity is one favorable—though not absolute—condition that sustains nationalism. It implies the homogenization of multiple ethnic groups into one nation. My indicator of *Ethnic Homogeneity* (henceforth, capitalized when it is an indicator) is calculated by the ratio of the dominant ethnic group over the total population in non-immigrant, historic states. Sources are mainly from the Composition of Religious and Ethnic Groups (CREG) Data. Because Ethnic Homogeneity focuses on non-immigrant, historic states, this indicator is not applicable to immigrant states, such as the United States. All developmental states display *near-perfect* or high ethnic homogeneity. Of course, in Taiwan, Taiwanese people would have different historical, political interpretations between Han Chinese and Taiwanese. However, Taiwanese are immigrants of Han Chinese from Mainland China. Beyond these ethnic Chinese (Han Chinese and Taiwanese), there are no significant others in Taiwan. All

developmental states do not have no significant minorities (significant others). My research considers the effect of ethnic homogeneity on EOI.

Lastly, main variables, such as exports, FDI, capital, population, and military expenditures, are applied from the World Bank's World Development Indicators (WDI). To consider a long-term trend, I measure growth of exports, capital, and military expenditures in the five-year interval. To observe longer term trends (e.g., growth rates in 5 years interval such as 1960-1964) rather than short term periods (e.g., annual growth rates), I measure these socioeconomic indicators in 5 years interval rather than 1 year interval. As the last independent variable, *education improvement* is the relative difference (first-order difference) of tertiary school enrollment between the previous and present periods (for example  $t$ : 1970-1974;  $t+1$ : 1975-1979), which is from the Varieties of Democracy (V-Dem) Project. The inclusion of  $t-1$  period is delivered to estimate the causal effect of education improvement in the previous period on low inequality. Education improvement, as well as other growth rates of exports and capital, measures a long trend of 5 years interval, not a short trend of 1 year.

## **IV. Quantitative Research on Land Reform and Export-oriented Industrialization**

### **1. Land Reform: The Initial Egalitarian Distribution during State Building**

In this section, quantitative research explains association between ethnic homogeneity and the introduction of land reform. It is natural that socialist states initiated land reforms during state building because their ideology of communism promotes common possession of wealth and assets. But because socialist states eventually took land from peasants and farmers occupied by the Party, these states did not realize egalitarian distribution. In Pearson's  $\chi^2$ (chi-square) test in Figure 3.2, it is reasonable to exclude socialist states, because it is natural that socialist states initiated land reform during state building. Developmental states, such as Japan and South Korea, were ethnically homogeneous societies, and hence ethnic homogeneity (95% of the dominant ethnic group) as dummy of ethnically homogeneous societies is applied to test its association with land reform in Figure 3.2. This dummy is useful to identify how ethnically homogeneous

societies are qualitatively different from heterogeneous societies. In non-immigrant states, Table 3.2 lists highly ethnically homogeneous societies whose ethnic homogeneity exceeds 95%, and shows their low inequality in income and land during state building.

**Figure 3.2.** An Association between Ethnically Homogeneous societies and Land Reform

		Ethnically Homogeneous		Total
		0	1	
Land reform	0	131	18	149
reform	1	6	6	12
	Total	137	24	161
				Pearson chi2(1) = 12.5888 Pr = 0.000

**Table 3.2.** Ethnic Homogeneity and Egalitarianism during State Building in Non-immigrant States

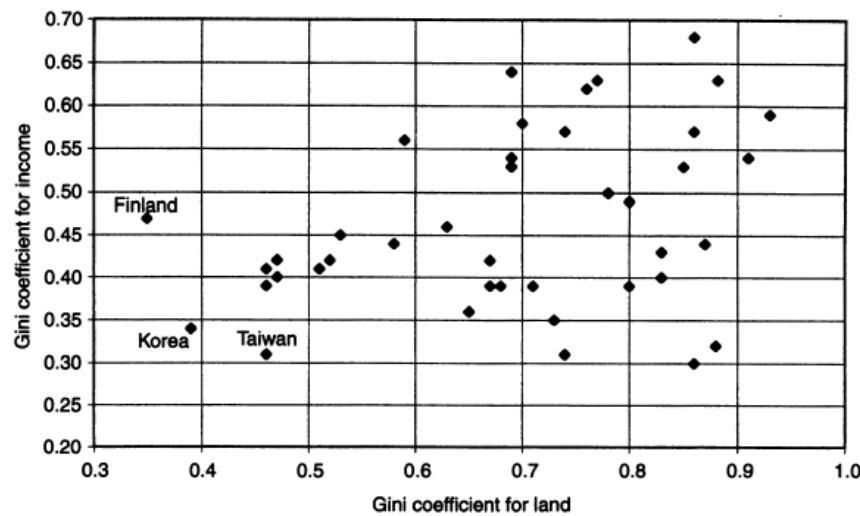
Rank	Country	Ethnic homogeneity	Dominant ethnic group	Land reform	Land Gini <sup>a</sup>	Inequality of land <sup>b</sup>	Income Gini <sup>c</sup>
1	South Korea	99.999	Korean	1	33.85	34	32.35
2	North Korea	99.993	Korean	1			
3	Portugal	99.971	Portuguese	0	71.81	75	38.386
4	Denmark	99.738	Danish	0	43.02	51	45.4
5	Madagascar	99.737	Malagasy	0	80.4		41.41
6	Netherlands	99.633	Dutch	0	50.46	57	47.73
7	Norway	99.413	Norwegian	0	39.14	18	37.867
8	Japan	99.401	Japanese	1	43.2		32.033
9	Italy	98.439	Italian	0	74.3	80	41.563
10	Poland	98.395	Polish	1		69	
11	Greece	98.086	Greek	0	45.43	58	40.74
12	Hungary	97.808	Magyar	1			21.89
13	Taiwan	97.759 90.68	Ethnic Chinese <sup>d</sup> Taiwanese	1	46		28.2
14	Bangladesh	97.591	Bengali	0	41.87	62	31.625
15	Ireland	97.394	Irish	1		44	32.2
16	Austria	97.225	Austrian	0	68.81	59	28.23
17	Comoros	96.857	Comorian	0			
18	Albania	96.699	Albanian	1		84	28.9
19	Somalia	96.630	Somali	0			47.4
20	Germany	95.933	German	0	55.39	63	45.02
21	Turkey	95.334	Turk	0	59.45	58	51.182
22	China	95.323	Han Chinese	1	37		25.24

Note: a: Land Gini is from Deininger and Olinto (2000). b: Inequality of land is from the Food and Agriculture Organization (FAO: 2008). In Taiwan's data is from Deininger (2003). c: This income Gini during State Building is calculated from V-Dem. d: As for Taiwan's nation, ethnic Chinese includes both Han Chinese and

Taiwanese, because the division between this two depends on political interpretation not ethnicity, and because the division has become ambiguous because of Han Chinese's Taiwanization as time goes on.

After land reform, South Korea and Taiwan showed the lowest overall inequality in both land and income. They were closest to the origin in Gini coefficients for income and land distribution (measures in 1960) according to Rodrik et al. (1995: 76) and Alesina and Rodrik (1994). Figure 3.3 plots Gini coefficients for income and land distribution for 41 countries for which both measures are available for a year around 1960. South Korea and Taiwan are the two countries closest to the origin.

**Figure 3.3.** Measures of Income and Land Distributions in 1960



Source: Rodrik et al. (1995: 76). Analyzed from Data in Alesina and Rodrik (1994).

By extension, my data analysis in Figure 3.4 highlights that land equality has a positive association with income equality in developing countries. During state building, equality of assets and land promoted equality of income. Gini during state building (initial distribution) is measured as the mean score of Gini coefficients for 5 years just after state building, using the Varieties of Democracy (V-Dem) Project. In the case of nation states that succeeded in land reform, their Gini during state building are measured after their land reform, because there are sharp falls in Gini coefficients after land reform. In developed countries, inequality of land does not seriously discourage egalitarianism of income, because these countries may deliver

commercial agriculture through the *quasi-monopoly* of land by large firms and organized capital. In the initial stage of economic development, particularly in agricultural societies, initial egalitarianism has an enormous impact on long-term economic growth. The correlation scatterplot is drawn as association of land Gini coefficients (in X axis) and income Gini coefficients during state building excluding cases of developed countries, by borrowing data from Deininger and Olinto (2000).<sup>5</sup> The correlation is 0.722 with *p*-value of 0.001, although country sample size is 17 because of weak data availability during state building.

**Figure 3.4.** A Relationship between Land and Income Gini: Except for High Income Countries during State Building (corr. = 0.722\*\*\*)



## 2. Export-oriented Industrialization: Redistribution under Economic Nationalism

Export-oriented industrialization (EOI) is a policy variable, which is not easily measured in a quantitative approach. As appropriate proxy variables for EOI, my research proposes 1) export growth rates in the five-year interval and 2) the ratio of exports in total GDP. Because my comparative historical analysis focuses on the positive role of economic nationalism in land

<sup>5</sup> I measure developed countries as top-30 countries in GDP per capita in WDIs.

reform and EOI, my preliminary quantitative analysis highlights the positive relationship between land reform and EOI. In my descriptive analysis, the reference year is 1970, because land reform occurred between World War II and the 1960s. Because socialist states initiated land reform regardless of plan rationality, this analysis excludes socialist states. Table 3.3 displays a positive association between land reform and EOI regarding export growth rates and export ratio.

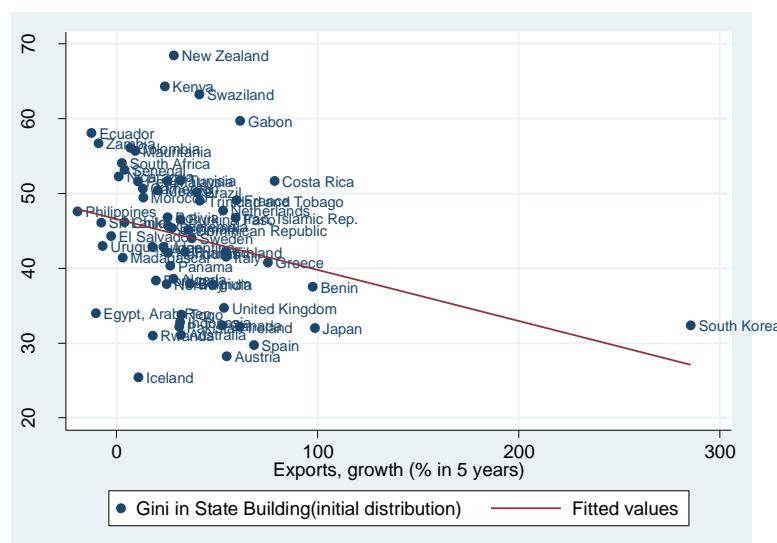
**Table 3.3.** *T-test for the Association between Land Reform and EOI in 1970*

Group	Obs	Mean	Std. Err.	Std. Dev.	95% Conf. Interval	t	p	
<i>A. Export growth rates in the five-year interval</i>								
Land reform	0	61	29.603	3.216	25.115	23.171 ~ 36.035	-4.316	0.000
	1	5	102.234	47.921	107.154	-30.815 ~ 235.283	(64)	
<i>B. The ratio of exports in total GDP</i>								
Land reform	0	90	24.756	1.791	16.993	21.197 ~ 28.315	-1.971	0.052
	1	7	39.64032	15.043	39.801	2.831 ~ 76.450	(95)	

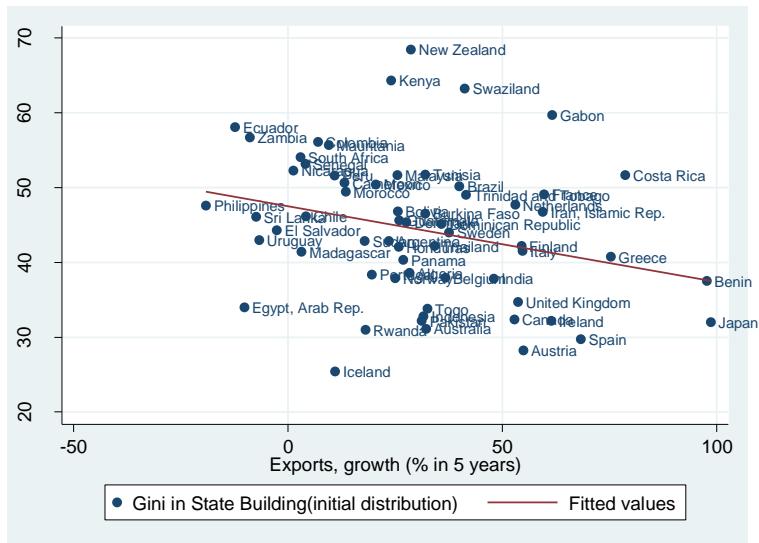
Note. Degrees of freedom are noted in parenthesis. Group 1 denotes the success of land reform, while 0 is the failure.

**Figure 3.5.** A Relationship between Initial Distribution and EOI in 1970

A. All Nation States  
(N = 63;  
corr.= -0.298\*\*)



B. Except for  
South Korea  
( $N = 62$ ;  
corr. = -0.279\*\*)



Another test for the association between land reform and EOI is to consider the relationship between Gini coefficients during state building on the one hand, and export growth on the other. Because successful states in land reform experienced sharp falls in Gini coefficients after land reform, these states' Gini refers to the period after land reform (see Table 1.1 for evidence). Figure 3.5 displays that egalitarian societies had higher performances in export growth in 1970. South Korea's export promotion seems outstanding as shown in Figure A. But the exclusion of this outlier in Figure B still shows a negative relationship between inequality and export growth (a positive relationship between egalitarianism and export growth) with statistical significance. The correlation in Figure A is -0.298 with  $p$ -value of 0.018. The correlation in Figure B is -0.279 with  $p$ -value of 0.028.

Regression analysis in Table 3.4 exhibits that land reform, ethnic homogeneity, and education improvement promotes export growth. Because it estimates EOI, the growth rate of exports is the dependent variable. The other independent variable is military growth rates, while control variables include capital growth rates, FDI inflows & outflows, and log-transformed population. This analysis focuses on the period before 2005 to highlight the industrialization period by excluding the globalization and post-industrialization era. Because one independent variable is ethnic homogeneity, the country cases include historic, non-immigrant states. However, because land reform dummy is included, socialist country cases are excluded. Socialist countries initiated land reforms under the ideology of communism.

Regarding independent variables, land reform implies successful postwar state-building, as a strong states make an egalitarian society through land reform. Land reform is an important factor to sustain export-oriented industrialization. Ethnic homogeneity is also a favorable conditions for EOI. Furthermore, education improvement of the previous period (in the five-year interval) is also positive to promote exports. Public education as a major redistribution policy enhances productivity for technological innovation, which contributes to EOI. Lastly, developmental states have prioritized the promotion of exports over military investment, although these states suffered from external threats by their rival states. These states relied on their alliances with the United States, and thus they did not have to heavily invest in military expenditures. For this reason, military investment is included as one control variable in regression. Military growth has a negative sign to export growth.

**Table 3.4.** Export-oriented Industrialization: Land Reform and Ethnic Homogeneity

Dependent variable: Export growth rates

Model Property	Variable	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Random St. beta
Independent variable	Land reform		21.446*** (2.670)			12.530*** (2.751)	.147*** (9.949)	11.026
	Ethnic Homo.			0.391*** (0.035)		0.297*** (0.039)	.263*** (0.128)	0.263**
	Education <i>t</i> -1				1.640*** (0.215)	0.555** (0.230)	.087** (0.132)	0.132
	Military growth					-0.025** (0.012)	-0.026** (0.011)	-.071** (0.014)
								-0.035** (0.014)
Control variable	Capital growth	0.229*** (0.025)	0.215*** (0.024)	0.238*** (0.023)	0.241*** (0.024)	0.238*** (0.025)	0.241*** (0.023)	.317*** (0.161***)
	FDI inflows	2.387*** (0.419)	2.426*** (0.404)	3.038*** (0.395)	2.596*** (0.406)	2.340*** (0.419)	2.926*** (0.387)	.316*** (1.666***)
	FDI outflows	-1.009*** (0.377)	-1.138*** (0.363)	-1.992*** (0.362)	-1.928*** (0.384)	-1.060*** (0.377)	-2.194*** (0.366)	-.259*** (0.461)
	Pop. <i>logged</i>	4.312*** (0.805)	4.138*** (0.775)	4.610*** (0.750)	3.876*** (0.780)	4.303*** (0.804)	4.280*** (0.737)	.174*** (3.530*)
	Constant	-50.879*** (13.503)	-50.683*** (12.994)	-84.502*** (12.921)	-50.627*** (13.044)	-49.557*** (13.490)	-74.828*** (12.750)	-53.544* (30.342)
	<i>N</i>	801	801	801	801	801	801	801
	<i>R</i> <sup>2</sup>	0.167	0.229	0.280	0.224	0.171	0.313	0.313
	Adj. <i>R</i> <sup>2</sup>	0.163	0.225	0.275	0.219	0.166	0.306	0.306
	Wald <i>Chi</i> <sup>2</sup>							92.013
	Prob> <i>Chi</i> <sup>2</sup>							0.000
Country	<i>N</i>	43	43	43	43	43	43	43

Notes: Standard errors in parentheses (\*, \*\*, and \*\*\*: significance at the 10, 5, and 1% levels). Ethnic Homo. = Ethnic homogeneity; Education, *t*-1 = Education improvement, *t*-1.

As for control variables, FDI net inflows (% of GDP) are expected to contribute to EOI, while FDI net outflows (% of GDP) are negative to this industrialization strategy. Capital mobilization in terms of gross capital formation (% of GDP), as well as gross capital growth (% in 5 years), are also positive to EOI. Net ODA received (% of GNI) is expected to increase exports growth. ODA is a favorable condition for export promotion, but not all ODA recipients succeeded in EOI. Lastly, *log-transformed population* is included to identify whether small states can resolve collective actions to realize their goal of export promotion. According to Mancur Olson's (1965) collective action theory, small-sized groups can organize for collective action more effectively than large groups, because small groups can monitor their members' freeriding more effectively than large groups. This variable does not show strong evidence for the thesis of small group. Small state size does not take advantage of export promotion. Developmental states are large states by population size, but they have successfully resolved collective action dilemmas for land reform and EOI. These control variables imply that developmental states successfully induced foreign investment and mobilized capital for EOI.

All independent variables have favorable effects on export growth in term of predicted importance (standardized beta). Standardized beta provides predictive power controlling multicollinearity problems. Lastly, the dataset of my research is panel data, which is sensitive to heteroscedasticity across countries. As a remedy for heteroscedasticity, fixed effects model and random effects model are recommended in regression models. My research applies a random effects model, because this panel data analysis includes the time invariant variable, such as land reform. In this model, ethnic homogeneity is positive for export growth, while land reform and education improvement ( $t-1$ ) are statistically significant. Although the effect of land reform on EOI must diminish as time goes on, the effect is positive and statistically significant in the periods of state building and early industrialization. Association tests in Table 3.3 and Figure 3.5 imply that, in the period of state building, land reform helped nation states promote exports.

## **V. Evaluation: The Positive Role of Economic Nationalism in Egalitarianism**

In developmental states, economic nationalism has not only contributed to egalitarianism, but it has also created national consensus for economic prosperity and also for overcoming external

crises, such as war and financial crisis. For example, Korean citizens successfully overcame the financial crisis in 1997 paying off debts from the International Monetary Fund (IMF) exceptionally almost within three years.<sup>6</sup> Korean citizens and labor showed strong *national integration* under the state's dense coordination with firms. Thus, the Korean state recovered the Korean economy very soon, and reformed its industry structure represented by information and technology (IT) industries. Since this crisis, the Korean economy has institutionalized its financial market. Large firms improved its financial conditions to defend against foreign capitals' aggressive engagement in stock markets.

Why does my research highlight land reform, which occurred almost seventy years ago in developmental states? Land reform is not an old-fashioned solution on redistribution even in the present developmental states which are not developing countries anymore; whereas, it is too natural to mention that land reform has been a promising method for economic reconstruction, redistribution, and wellbeing in many rural economies in the developing world. Although developmental states initiated land reform several decades ago between post-World War II era and the 1960s, land reform and public land-ownership will be thriving agendas in the near future if there is a moderate regime change of North Korea or unification between North and South Korea, and if East Asian states build a regional community, such as the European Union.

Developmental states' previous growth-oriented regimes are not effective in the low economic growth period of post-industrialization. Since the 2000s, the South Korean government and political parties have discussed the constitutional amendment. The constitutional amendment in 2018 was a potential agreement between major parties, and also President Moon Jae-in's pledge. It further aims to prepare for unification between South and North Korea. The ruling party and opposition parties are discussing when and how the constitution should be revised. Regarding the "how," in dimensions of peacebuilding and economic development, the constitutional revision intends to illuminate the old logic of the developmental state model and to propose new paradigms of development in the post-developmental state on the one hand, and to

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<sup>6</sup> On December 3, 1997, South Korea under President Kim Young-sam applied to the IMF for a bailout. On December 4, 2000, President Kim Dae-jung officially announced that Korea repaid all loans from the IMF, and thus was completely escaped from the financial crisis.

prepare for North Korea's moderate regime change or South and North Korea's national integration and unification on the other.

One of the important agendas in South Korea's constitutional amendment is to specify the public concept of land ownership. Furthermore, North Korea's land development is a hidden issue for the two Koreas' peaceful integration, because the unified Korea should deal with how to manage the territory of North Korea. In North Korea's democratic transition, public land-ownership will absorb a sudden shock by capitalism. Until the peaceful period between South and North Korea by 2016, the Kaesong Industrial Region (Gaeseong Industrial Complex; 개성공업지구 or 개성공단) had been governed by the North Korean state's land ownership, and managed mainly by small or middle-sized firms of South Korea. This industrial complex improved the North Korean economy, and further promoted South Korea's exports. Small firms' enlargement of economic opportunities contributed to *economic democratization* in South Korea.

Since spring 2018, South and North Korea have held their historical summit meetings between South and North Korean presidents. If the two Koreas develop the mutual peace mood into national integration, the land coordination in North Korea will make another egalitarian society in the unified Korea, as developmental states did during state building. North Korea still maintain socialist economy, whose major components include public land-ownership. It will also induce all East Asian states' investment in North Korea for export promotion. Therefore, land reform and public land-ownership are the engine for both sustainable economic development and redistribution mechanisms.

By finding commonalities between East Asian post-developmental and post-socialist states, these states can promote peaceful economic cooperation, and further enhance exports. The revitalization of land reform and EOI will be another engine to lead to economic prosperity in East Asia, if all East Asian states establish the regional community like the European Union. In Greater China, economic cooperation between Mainland China, Taiwan, and Hong Kong have created a common economic community. In the two Chinas, public land-ownership has also been found in the two types of state capitalism: the CCP's state capitalism in Mainland China and the KMT's statism and state-led market economy in Taiwan.

## Conclusion

Nationalism is accompanied by violence, such as revolution and war, because ethnic and nationalist competitions lead to conflicts in many developing societies. In contrast, my research explains the paradox that egalitarianism spurred by nationalism has promoted a synergy between long-term low inequality and economic prosperity in developmental states.

Developmental states' nationalist mobilizations led to both land reform and export-oriented industrialization (EOI). Because these two policies have contributed to developmental states' dual goals of developmentalism and egalitarianism, these two represent plan rationality. Why does economic nationalism promote solidarity rather than conflict for resource monopoly? Many states did not achieve rational plans for economic growth and redistribution, although they wished to promote plan rationality. Meanwhile, economic nationalism has supported solidarity for egalitarianism, which makes developmental states choose rational policies.

Developmental states under economic nationalism have initiated progressive land reforms peacefully. Developmental states needed to reach a consensus for egalitarianism, because they desired to gain political legitimacy from citizens under nationalist competitions with East Asian socialist states as their rival states, such as China and North Korea. Economic nationalism made developmental states initiate progressive land reforms without violence during state building, and hence these states effectively promoted EOI. EOI is an industrialization policy, not a redistribution policy. But during the industrialization period, EOI indirectly helped developmental states apply distribution and redistribution policies, such as employment and public education. First, nationalist competitions with rival socialist states made developmental states competitively initiate progressive land reforms. Egalitarianism from land reform helped the conservative party obtain consistent support from citizens. Secondly, EOI established a symbiotic relationship between the state and firms for economic development. In particular, South Korea and Taiwan effectively switched their import substitution industrialization (ISI) of the period of state building to EOI of their early industrialization period. As European corporatist states have utilized world markets through democratic corporatism, developmental states have promoted exports in world trades through conservative corporatism. Economic nationalism has proposed a road map for developmental states to initiate land reform.

In my research, the eclectic approach between game theory and qualitative and quantitative research tests how causation from nationalism to solidarity for egalitarianism in East Asian country cases can be generalizable to world cases beyond developmental states through statistical tests. The analytic narratives approach proposes how qualitative findings of the developmental state model should be transformed into generalizable propositions through game theory. In this mixed methods approach, propositions from comparative historical analysis and analytic narratives are generalized to large- $N$  country cases through Pearson's  $\chi^2$  tests and regression models.

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