



SCHOOL OF ECONOMICS AND MANAGEMENT

Bachelors Programme in Development Studies

The 'obvious success' of Korean Development

A deeper look into the World Bank's perspective on Korea during its
development era

By

Swalha Abdulcadir

Email: sw5075ab-s@student.lu.se

Programme Code: EKHK18

Bachelor Thesis (15 credits ECTS)

August 2024

Supervisor: Tobias Axelsson

Examiner: Faustine Perrin

Word Count: 12631

Abstract

This thesis will examine the World Bank's perspective of Korea during its development under Park Chung Hee, specifically regarding the three five-year plans (1962-1976) that were established during his rule. The 1960s and 70s were when Korea's growth kicked off as it started to industrialise. This thesis aims to examine the World Bank's perspective of these three five-year plans and to explore whether the Bank undermined the Korean planning and state in its different policies in regard to these plans. The thesis also aims to see if the Bank discouraged policies that were not laissez-faire. In this light, the paper will therefore use Chang's 2002 argument that the promotion of laissez-faire is therefore trying to 'kick away the ladder' for a developing nation in this case 1960-1970s Korea. The thesis will explore this by investigating three World Bank reports that address the plans from the time of the creation and implementation of the plans.

Table of Contents

1. Introduction.....	1
1.1 Aim and Scope.....	2
1.2 Thesis Outline.....	4
2. Previous Research.....	5
2.1 Korea and the structure of the Five Year Plans.....	6
2.2 The World Bank in the 60s and 70s.....	10
2.3 The World Bank and Africa.....	14
2.4 World Banks explanation of Korea's development.....	16
3. Theory.....	18
3.1 Development Theories.....	19
3.1. 1 Structuralist.....	19
3.1.2 Neo-Classical.....	20
3.1.2 Institutional.....	21
3.2 Theoretical Framework.....	23
4. Methods & Data.....	24
4.1 Methodology.....	24
4.1.1 Limitations of the Methodology.....	26
4.2 Source Material.....	26
4.2.1 Source criticism and limitations.....	28
5. Analysis & Discussion.....	29
5.1 Report 1.....	29
5.2 Report 2.....	32
5.3 Report 3.....	33
6. Conclusion.....	36
Bibliography.....	37

1. Introduction

This thesis will refer to the Republic of Korea (South Korea), as Korea throughout this thesis. Korea has been the centre of attention when it comes to its rapid development and success in becoming a developed nation apart from the G20 in a short time. The basis and bulk of this development occurred during President Park Chung Hee's era (1962-1979) Korean development has therefore been a centre of attention in economic development academia. Various studies have been made on the reason why and how Korea developed and under what conditions Korea was in order to achieve this spectacular 'miracle'. Explanations have varied from structuralist, neoclassical and institutionalist. However, the role of the state has been later agreed on to be undeniable. The World Bank is a world-renowned institution that helps developing countries on the track of development with their loans, policy advice and suggestions. The Bank is also a centre of knowledge in economic and development academia, where it produces various reports and articles encompassing countries around the world. The Bank has faced various criticisms regarding its programmes, structure and school of thought throughout time. In the case of Korea, the Bank has been criticised for its explanation of Korea's development as having very little to do with the state and pushing the Anglo-American neoclassical thought onto the East Asian development path. Furthermore, it has been scrutinised during the time of Korea's development for suggestions of lower targets than was planned during the Five Year Plans. The targets as outlined by the Five Year Plans were met and often exceeded. However, have the Bank's reports and advice towards Korea just faltered in their suggestions on targets? Or has the Bank given other suggestions and advice that was also met with deaf ears by Korea? Did the Bank only undermine Korea in its estimate of the targets? What type of suggestions were the World Bank giving and did it contrast to what Korea ended up doing? This study aims to answer these questions and bridge some of the gaps in the literature in regard to the World Bank's advice and recommendations and

whether, during the time of the Korean development, this opposed what Korea preceded with and how the Bank, therefore tried to undermine Korea's developmental plans.

1.1 Aim and Scope

This thesis wishes to explore the World Bank (hereafter the Bank) reports concerning Korea's development specifically regarding the three five-year plans (1962-1976) that were established and enforced under Park Chung Hee's regime. The reports that will be looked into are contemporary to that time to fully understand the Banks' policy suggestions and approach as well as opinions regarding these five-year plans without hindsight to gauge why the opinions were centred around neoclassical 'good policies'. This is contrary to the 'bad policies' that were employed by now-developed countries such as Britain, Germany and the USA (Chang 2002, p.127) that achieved developed status before Korea during the eighteenth, nineteenth century and early twentieth century (Chang 2002, p.50). Korea is also a developed country as it has reached developed status after the East Asia 'economic miracle'(in the late twentieth century) and achieved development through policies similar to older Developed Countries (Chang 2002, p.58). However for the sake of clarity in this thesis, Korea will be addressed separately as the time period in which this thesis investigates Korea has yet to become a developed nation. During 1962-1979 Korea also similarly to other already developed countries employed these 'bad policies' (Chang 2002, pp.49-50). The 'bad policies' are policies that are activist industrial trade and technology policies and its application by the state (Chang 2002, pp.18-50). This is broadly agreed upon to be central to Korean industrial policy and central to the country's exceptional economic growth (Chang 2002, p.49) which led it to become a developed country. These policies employed by Developed Countries including Korea included infant industry protection, tariffs, industrial subsidies by the government particularly in infrastructure and manufacturing as well as the government facilitating and creating mechanisms for public-private cooperation (Chang 2002, p.18). The

public-private cooperation during 1962-1979 was particularly prevalent in Korea as it resulted in the rise of Chaebols (South Korean family conglomerates) that developed as a result of state influence and guidance (Onis 1991, p.113). These types of policies are not preferred and are frowned upon (Chang 2002, p.18), hence them being 'bad policies'. 'Good policies' on the other hand follow the neo-liberal view of policies (Chang 2002, pp.14-15). These 'good policies' are laissez-faire industrial policies that emphasise free trade and free market policies (Chang 2002, pp.13-14), as well as privatisation, deregulation, restrictive macroeconomic policy and liberalisation of international investment and trade (Chang 2002, p.1). The government involvement in the policies and market should be small (Chang 2002, p.15). This is in contrast to the policies that Korea and the Developed Countries implemented to develop, as they to different degrees used tariff protection, state involvement and infant industry protection in the development process (Chang 2002, p.19-51).

This essay will follow Chang's argument and apply it to the Bank and Korea during the time period 1962-1976 which is when the 'economic miracle' occurred in Korea. This will be by, how the Bank ruled by the Developed Countries (Chang 2002, p.139) tried to 'kick away the ladder' by recommending policies that were not historically applied to Developed Countries and by its recommendation 'kicked away the ladder' for Korea (Chang 2002, pp. 139-141).

The research questions are therefore as follows:

To what extent do the reports of the World Bank undermine Korean planning and actions regarding the three five-year plans (1962-1976)

To see if the Bank undermines Korea's planning is significant as it indicates that that type of planning should be done instead. It also gives an insight into the Bank's thought concerning the capability of the state and bureaucracy behind the planning. Critique in

particular of the state will also indicate how much the Bank thinks the role of the state should be. Moreover, the critique of the planning will therefore give an opening critique of the policies which will in a clearer manner indicate the Bank's perspective on how development should be done.

How does the discouragement of 'bad policies' and encouragement of 'good policies' by the bank regardless of the effectiveness of the policy therefore attempt to 'kick away the ladder' for Korea?

The relevance and aim of this thesis is to gain a better understanding of the policy suggestion at the time before Korea became a Developed Country. It is to further gain an understanding and perspective of the concept of 'kicking away the ladder' and how it was applicable to a country that developed in the mid-twentieth century. This can be applied to countries today and see how the Bank applies the neoclassical ideology to countries even if it is not applicable and even damaging to the countries' development. This thesis focuses on Korea as a case study and looks at the applicability of Chang's theory in the case of Korea.

1.2 Thesis Outline

The thesis will first go through the previous literature on Korea in terms of the five-year plans and the Bank. This is to gain a broader understanding of how multilateral corporations, in this case particularly the World Bank, have given a type of policy suggestion or approach to ideas of non-developed countries before its implementation. Thereafter I will outline the different theories that have been put out in order to explain the Korean 'economic miracle'. The thesis will outline the theoretical framework and approach chosen amongst these different theories when it comes to how it will be approached in this thesis. This is in terms of how the Korean 'economic miracle will be

seen as well as how it will influence the approach in the analysis. Thereafter the data used in order to address the aim will be outlined, as well as the limitations of using this data. The methodology in which the data will be analysed will thereafter be explained as well as the limitations within it. Thereafter the analysis will be conducted using the data, methodology, and theoretical background and the results of the analysis will be presented. Within the analysis discussion regarding the results will also occur. Thereafter a discussion regarding the analysis done in the thesis and the previous literature will be outlined. Lastly, the thesis will present its conclusion based on the findings of the analysis in combination with the literature.

2. Previous Research

Here a connection will be made between the African experience during the 1980s and '90s with the World Bank in terms of applying their structural adjustment programmes in order to be granted loans and how this and its terrible after-effects 'kicked away the ladder for Africa'. This is necessary in order to gain more comprehensive understanding of the effects of the Bank policies on developing countries. As well as see the Banks' policy recommendation pattern and see how this is applicable to Korea, and how in contrast Korea did not take the Banks' recommendations which will be explored later on, and how this led to their success. The essay will follow Stein 2008 argument regarding the disastrous effects of the structural adjustment programme being set-up and built upon the foundation of the Bank and that the neoclassical approach has been a core ideological compass for the Bank throughout its time. Moreover, the neoclassical ideology was also well in place during Korea's development era and will be explored how the rise of it occurred in the '60s and '70s. This is as the Bank facilitated the wider reinvention of liberalism after 1945 (Beerger & Beeson 1998, p.487) The Banks explanation of the East

Asian miracle will also be explored in order to further understand the Bank's insistence and allegiance to the neo-classical way of thought where it is not fully applicable. Here the essay will also approach the general structure and timeline of the three five-year plans in order to provide a comprehensive background and outline the main aims of the plans.

2.1 Korea and the structure of the Five Year Plans

South Korea's 'Economic Miracle' occurred during a military dictatorship under Park Chung Hee from 1961-1972. Park came into power as a result of political and social instability in Korea. The April student uprising in the 1960 saw the fall of the president Syngman Rhee, he was thereafter replaced by Chang Myun of the Democratic Party. However Chang's party and hold over the government was weak and political stability was not achieved (Choi 1978, p.332). Therefore the military coup in 1961 easily took over the power in Korea (Park 2021, p.38). The military coup saw the establishment of a regime under General Park Chung Hee (Kim 1975, p.302, Wolf 1962, p.22).

During his rule three five-year plans were established, the First-Five Year Plan (1962-1966) (1st FYP), the Second Five-Year Plan (1967-1971) (2nd FYP) and the Third Five-Year Plan (1972-1976) (3rd FYP) which resulted in extraordinary economic progress in the country (Chaudhuri 1996, p.18). The main aim of the plans was to industrialise the economy in order to become self-sufficient and have a high level of economic growth (Chung 1974, p.440) It is widely acknowledged that the state played a significant role in Korea's development and that there was a top-down state-led industrialisation under Park (Kim & Sorensen 2011, p.3). The previous government had written a five-year economic plan by the Economic Development Council, it was rejected by the Park government but it served as a basis for the First- Five Year plan (Cole & Nam 1968, p.2). The five-year plans under Park were planned by the Economic Planning

Board (hereafter the EPB) which was a transformation of the previous Economic Development Council (Cole & Nam 1968, p. 5). The EPB were highly competent and in itself powerful (Horikane 2005, p.374). This is not only seen in the competency of the individual bureaucrats within the EPB but also in the success of the policies that the EPB implemented. The EPB played a key role in policy coordination and planning (Kim & Jeong 2017, p.2) and as an institution created long-term economic development plans in a systematic and sustained manner (Choi 1987, p.10). They were effective in their planning as they created a variety of economic and developmental policies (Choi 1987, p.10). The policy planning being centred and created by the EPB is what led to the successful growth outcomes in Korea in the 1960s and '70s (Kim & Jeong 2017, p.25). The EPB's success in planning and implementation was because of its autonomy (Kim & Jeong 2017, p.25). The EPB was relatively independent of interest groups and had political independence (Kim & Jeong 2017, p. 25). They could therefore adjust themselves quickly and in a comprehensive manner redesign policies from different perspectives and with greater flexibility (Kim & Jeong 2017, p.25) (Kim 1992,p.211). They also had President Park's support and confidence (Kim & Jeong 2017, p.2), there was therefore a symbiosis between the EPB and the president (Kim 1992, p.211). The EPB were able to facilitate and lead the beginning of export promotion in Korea, by easing resource mobilisation, strengthening policy coherence and quickly and efficiently equipping Korea to gain an edge in the export market (Kim 1992, p. 200) in the early 1960s and the beginning of the 1st FYP.

The 1st FYP aim was focused on industrial development and expansion (Kim 1992, p.197), it was therefore prepared and designed for quick industrial expansion (Chung 1994, p. 440). This is seen as the plan focuses on the infrastructure of the economy such as transportation, electric power as well as manufacturing facilities (Chung 1994, p.440). Export was encouraged in light manufacturing such as textiles and processed food (Chung 1994, p. 440). The Plan initially faced some troubles in terms of its poor economic performance in 1962 (Cole & Nam 1968, p.3). It further had faced criticism

from the World Bank for having economic goals that were unfeasible and over-ambitious, as it had no supporting explanation or analysis why these high economic growth targets would occur (Cole & Nam 1968, pp.3-6). These two factors resulted in the plan being revised in 1963, both in terms of reducing the growth targets as well as the investment program (Cole & Nam 1968, p.3). However, upon the revised plan completion in 1964, it was not taken into account or implemented as since 1963 the growth of the economy was met and exceeded the ones set in the original plan (Cole & Nam 1968, p.3).

The 2nd FYP was a continuation of the first plan (Chung 1994, p. 440) but it had a bigger emphasis on improving basic infrastructure and attracting direct foreign investment (Seth 2017, p.4). It also had an emphasis on capital-intensive investment in exports and import-substitution industries, iron and steel industries, as well as machinery and chemicals (Chung 1994, p.440). Similarly to the first plan the Banks assessment saw the targets of the plan as being too ambitious and that they should be reassessed and reduced (Cole & Nam 1968, p.25). Thereafter it was more inclined to accept the Korean estimate in regard to external resource requirements and investment to get higher growth rates (Cole & Nam 1968, p.26). The plan saw successes in the steel mill and petrochemical projects (Chaudhuri 1996, p.23). As a result of this success the development of heavy and chemical industries such as shipbuilding and oil refining took priority in the 3rd FYP (Chaudhari 1996, p.23).

The 3rd FYP saw the focus on The Heavy and Chemical Industries (HCI) that was announced formally in 1973 (Horikane 2005, p.383). Its overall aim was for Korea to become economically and politically autonomous (Seth 2017, p.5). This is because the plan would create new sources for export industries as well as capital goods and import substitution (Chaudhuri 1996, p.23). HCI would lead to a reduction in import dependence on machinery and raw materials (Chaudhuri 1996, p.23). It would also help with the diversification of exports as there was a rise in protectionist policies in the Western world (Chaudhuri 1996, p.23). The HCI policies also came about as a security concern as there

was rising tensions with North Korea and the Nixon Doctrine saw the removal of US troops in Asia (Kwon 2019, pp.52-53). The Park regime therefore declared a 'self-reliant national defence' and in order to achieve this it would demand industrially developed foundations that were intertwined with an independent economy (Kwon 2019, p.52). The HCI plan was developed as a full-scale private and public collaboration effort to produce weapons (Kwon 2019, p.52). This private and public cooperation is seen throughout the three five-year plans.

The main implementers of the government's industrial policy were the private enterprises in Korea (Chaudhuri 1996, pp.23-24). The government and private enterprises worked closely together which was a pattern and approach of the Park regime (Chaudhuri 1996, p.24). This led to a rise in chaebols, which are family-owned conglomerates (Chaudhuri 1996, p.24). The manner in which development could be attained was seen by the government by having specific target industries as laid out in their economic plans and helping industries that were target firms grow (Chaudhuri 1996, p.24). The focus on these specific firms was also because the government saw the necessity of big businesses to compete with the oligopolies in the West and Japan in order to set foot in the world market (Chaudhuri 1996, p.24). They were therefore not opposed to monopolies but this also resulted in the economy being highly concentrated and dependent on the top ten chaebol companies (Chaudhuri 1996, p.24). In order to help the target firms to grow the government used different measures in order for these industries to get the resources to grow (Chaudhuri 1996, p.24). They controlled credit, imports foreign investment and exchange as well as having tax incentives (Chaudhuri 1996 p. 24). During this time Korea had been a part of the World Bank since 1955.

2.2 The World Bank in the 60s and 70s

The World Bank was established in 1945 along with the IMF under the Bretton Woods; these organisations were there to cater and facilitate collective action globally (Stiglitz 1999, p.578). The aim of this establishment was to help reconstruction and international economic cooperation after the Second World War. Its reach was then supposed to help the development of the Third World (Stiglitz 1999, p.577) which is still its main focus. Korea joined the World Bank in 1955. While exploring the 1960s and 1970s of the Bank the essay will address this period dependent on the different World Bank presidents during that time. Eugene Black was president from 1949-1962, George Wood president from 1963-1968 and Robert McNamara president from 1968-1981. Here the essay will not only outline the perspective and policies of the Bank during that time but also argue that the neoclassical foundation was set here and continued onto the disastrous Structural Adjustment during the 1980s and 1990s in the African continent. The presidency of Black, Woods and McNamara affirmed and solidified the World Bank as a development agency and not a bank as it had been disputed in the 1940s and 50s (Kapur et.al 2011, Vol1 p.142). The era of Eugene Black had a lot of focus on giving out loans to infrastructure (Stein 2008, p.10). The majority of the Bank employees were engineers and with the destruction caused by the Second World War rebuilding infrastructure was a main focus along with the thought that development could occur once the right structures were in place (Stein 2008, p.10). This focus of the World Bank aligned well with the 1st FYP which one of the main points focused on was the infrastructure. This is in tune with the first loan received by Korea from the Bank in 1962 with the aim to build the rail infrastructure (Kapur et.al 2011, Vol2 p.17) However most of the aid and loans in the 1960s both encompassing Blacks and Woods era were mostly done by bilateral aid from other countries (Stein 2008, p.20). The bilateral assistance was five times more than multilateral aid in physical planning, housing and building and 95% of this assistance was given out by the USA, UK and France (Stein 2008, p.508). This is in contrast to Kim's argument that the Bank's aid was instrumental as they did not give out a lot of aid.

This is as (Kim in Kapur et.al 2011, Vol2 p.18) claim that the loans provided by the Bank in the 60s to Korea were instrumental as during this time the bulk of the aid and loans Korea was receiving was from the United States and other developed countries. This was as the priorities of development during that time were driven by Cold War Politics (Stein 2008, p.19). This is further seen by during the 1st FYP only one loan was given out whilst during the 2nd FYP ten loans were given out (World Bank Project List Korea). Out of the ten loans only two were given out during Woods era.

Woods' era however saw a shift from the infrastructural focus that had been central to the Bank. During his time the IBRD loans were expanded and there was a new focus on lending for agriculture and social spending, this was a big shift as it gave out loans to sectors that were seen as riskier (Stein 2008, p.12). During his era, the type of employees of the Bank also had a drastic shift from engineers to economists (Stein 2008, pp.12-13). Woods saw that greater economic knowledge concerning each country was essential for the Bank to operate within these countries particularly if there is an expansion into areas such as social spending and a shift in focus to broader development issues (Stein 2008, pp.12-13). Therefore the economics department became the second largest department in the organisation and a committee was set-up. The chief advisor and economist of the Bank joined in 1964 and was Irving Friedman. Friedman believed firmly in conservative fiscal and monetary policies and guided the reform of the Bank (Stein 2008, p.13). The Bank saw a change with Friedman hiring more economists and positioning themselves as economic advisors and policymakers, as previously the focus was on infrastructure and the employees were engineers, there was therefore not a need for as many economists (Stein 2008, p.13). This reform gave newfound power to the economists of the Bank who had previously been looked down upon (Stein 2008, p.13). This is further seen as the economic committee now evaluated all proposed loans before it reached the loan committee (Stein 2008, p.13). Friedman further conducted reviews of development finance and development (Stein 2008, p.13). This reform had a significant impact and economists of the Bank were central in advancing US interest through the Bank (Stein

2008, p.13). This is as the goal and agenda of the Bank grew and branched out the economists would provide justification for new goals and priorities whilst in the meantime maintaining procedural and substantive appearances (Stein 2008, p.13). This is for example seen when Friedman worked out proposals and legitimise illegitimate actions of the US concerning the IDA contributions in relation to their exports (Stein 2008, p.14). These changes within the bank expanded the Bank's aim and reach as well as position in economic and development discourse within the world. This era further solidified the Bank's conservative perspectives in regard to the economy and development as well their position in economic commentary in the world. As the Woods era encompasses much of the '60s which is when the first and second five-year plans occurred in Korea, it shows the overall approach and increased significance of commentary of the Bank economist in the case of Korea. It further showcases how the Bank would approach critique of policies as well as recommendation. The growth of economists and the change of aim of the Bank also extended the Bank's impact globally which would be more prevalent as time went on (Stein 2008). Furthermore, it further displays that the core ideological compass as neoclassical for the Bank through the 60s will continue on to the 70s and beyond (Stein 2008, p.22).

The McNamara era also saw drastic shifts within the Bank. The Bank had shifted its focus to poverty reduction (Stein 2008, p.14). This was also in tune with US foreign policy at the time as in 1973, US foreign assistance focused on areas such as food, nutrition, education and health (Stein 2008, pp.14-15). McNamara emphasised the manner in which to tackle poverty was through rural development that focused on smallholder agriculture (Stein 2008, pp.15-19). The first years of McNamara's term however targeted the same areas that the Bank had traditionally targeted as two-thirds of the budget went to the same areas (Stein 2008, p.15). Changes in approaches and policy were also initially slow as the Bank was searching for policy alternatives to tackle poverty (Stein 2008, p. 15). However, the focus on rural poverty became clearer throughout his term. This is as spending on rural development projects increased

exponentially through time and by the end of his term they had increased by 700% (Stein 2008, p. 15). Moreover, during his term in order to reach the overall goal of tackling poverty the number of loans and the quantity of it also significantly increased (Reid 1973, p.794). This is further seen in the case of Korea as during the 2nd FYP the majority of the Bank loans made were during McNamara's presidency. Similarly, during the Third Five Year Plan, the Bank gave out a total of 23 loans to Korea which shows a more than a 50% increase in loans from the Second Five Year Plan (World Bank Project List Korea). Not only did the lending activity increase, but more staff were recruited and it was made to be more representative of the Banks membership by 1972 the staff represented 100 nationalities (Clark 1981, p.169) McNamara set-up new criteria for lending and goals for these loans, his change of policies and approach caused a fundamental change of the Bank (Reid 1973, p.714). The benefit of this approach is that it called for a continuous dialogue between the Bank and its borrowers, in contrast to previously when the Bank only responded to requests for loans, it also gave the Bank a new activist role (Clark 1981, p.170). This new approach and goals focusing on rural poverty led to an increase in smaller more domestic projects was quite a risky approach (Reid 1973, p.795). This is because the Bank now involves itself in general development policies of borrowing countries which are traditionally more domestic and touch on issues that are much more politically delicate (Reid 1973, p.795). This contrasts the Bank's previous focus on GNP and overall growth where they had attempted to influence countries on (Reid 1973, p.795). In order for these new policies to be appealing for the borrowing countries the Bank needs to be able to persuade the governments of these countries to adopt policies (Reid 1973, p.796). A manner in which to do this is by suggesting if countries do adopt policies that in the Bank's eyes lead to more production, jobs and equal distribution of income they will then receive a large volume of loans if they do not adopt these policies they receive a much smaller volume of the loans (Reid 1973, p.796). Furthermore, within this policy, there was a rejection that economic growth would come at an unacceptable environmental cost (Clark 1981, p.173). This contrasts with how high-income countries did develop (Chang 2002). Moreover in the case of Korea and other countries during the

1970s, the dismissal of local policies and plans, as it indicates development can only be achieved by the projects and policies the Bank suggests and if policies like such are not followed there is less support from the Bank. This approach strips the state of its autonomy in decision-making in regard to policies within a country and dismantles the very apparatus (the state) that is needed to help create development enhancing growth (Stein 2008, p.83). The Bank approach during the 70s invoked criticism from donors and borrowers alike as this extension into rural poverty increased the risk of financial loss as they were extending into more 'unstable' areas as well as the Bank getting in the middle of political crossfires (Clark 1981, pp.169-170). This attitude and suggestion show the basis for the Structural Adjustment Programmes (SAPs) for the upcoming decade in the 1980s (Stein 2008, p.24). This is because this approach and return to macroeconomic principles of the neoclassical approach had laid the intellectual groundwork for the SAPs and their influence even further beyond the SAPs (Stein 2008, p. 24).

2.3 The World Bank and Africa

The '60s and '70s set-up the groundwork and reaffirmed the core ideological compass of the Bank as neoclassical, as well as its increase in economists and reform through this period catered and facilitated the disastrous SAPs (Stein 2008) The Structural Adjustment Programmes that began in the 1980s were targeted to low-income countries, particularly in Sub-Saharan Africa. The establishment of these programmes was in part due to the debt crisis of the 1980s when the developing nations were unable to pay back their debts to Western commercial banks that had lent out money, particularly during the 70s (Ismi 2004, p.8). The SAPs were put in place in order for the developing nations to pay back their debts (Ismi 2004, p.8) as a mechanism to deal with oil-related shocks (Stein 2008, p.251). There was huge pressure on developing nations to accept the SAPs as otherwise they would not receive loans from the Bank (these loans were conditional) in addition to

most donors of bilateral aid also supporting the SAPs (Stein 2008, p.50). The programmes included policies such as privatisation, increased interest rates, trade liberalisation and cuts in government funding across sectors which included food subsidies, medical care and education (Ismi 2004, p.3). The SAPs continued to evolve to cover more areas of domestic policy which started off with monetary, fiscal and trade policies and further evolved to include healthcare, labour laws, energy policy, government procurement and civil service requirements (Ismi 2004, p.8). This stripped the states of their role and capacity due to the view of the Bank in regard to the role of the state (Stein 2008, p.253). Furthermore, politics is commonly accepted to be central to development, and has a notable strength in each stage of the development process from what gets implemented to how it gets implemented (Hickey et.al 2015, p.3). The complete removal of the state and its autonomy to exercise the choice of what policies to implement and how to implement them therefore removes a critical political component in the development process of the SAPs. The SAPs had disastrous effects in Sub-Saharan Africa as the programmes led to an 46% increase in poverty between 1980-2002 and a GNP decline of 41% (Stein 2008, p.4). Between 1984-1990 \$178 billion was transferred from the countries under the SAPs programme to Western commercial banks causing an enormous capital drain (Ismi 2004, p.9). The loans of the Bank prioritised debt repayment and strictly restricting the government spending caused the spiral of poverty as basic food subsidies were being cut plunging people into hunger where living standards were further affected by the cuts in spending in education and healthcare (Ismi 2004, p.9). Debt only increased in the region to \$1.5 trillion by the late 80s (Ismi 2004, p.9). The cutback in social spending in combination with the region spending four times more on debt repayments than on healthcare caused health care spending to fall by 50% in the 42 poorest countries (Ismi 2004, p.12). This resulted in a total collapse of the healthcare facilities with many closing down and the ones opened understaffed causing the uncontrolled spread of diseases such as malaria and AIDS (Ismi 2004, p.12).

The failure of the World Bank agenda in this case through the SAPs has also shown the failure of the theory that the agenda was created from (Stein 2008, p.265). Here one can see how the Bank 'kicks away the ladder' for the countries in Sub-Saharan Africa as they are having to enforce laissez-faire policies to get loans out of the multinational institutions. However, it leaves the country and its people in socio-economic peril worse off than they were before the application of these policies and with a bleak future on how to continue on to develop.

The Bank's literature and justification of the failures of the SAPs point the problem towards not the policies of the SAPs but other factors that limited the policies' positive influence (Stein 2008, p.50) such as poor governance and performance (Stein 2008, p.252). The Bank had a lack of self-reflection regarding the failures of the policies that were employed under the SAPs in support of their core ideological perspective of neo-classical economics (Stein 2008, pp.252-253). The lack of reflectivity in the Banks' argument supporting their core ideological perspective of neoclassical policies is further seen in their justification and reasoning behind the success of Korea's economic development as well as the other East Asian tigers. The neoclassical theory has not only been the basis of much of the Banks' policies and programmes but also their reports and explanations concerning economic phenomena and failures.

2.4 World Banks explanation of Korea's development

Korea joined the World Bank in 1955. Since then there have been economic reports in regard to Korea's economic plans and reflections and reasoning in regard to the reasoning behind the East Asian 'Economic Miracle'. The World Bank has also played a central role in attaching the neoclassical liberal narrative to the East Asian 'Miracle' (Berger &

Beeson 1998, p.487). This is a manner in which the Bank fits East Asian development to fit the dominant Western liberal narrative of development (Berger & Beeson 1998, p.487), and the East Asian trajectory was a result of capitalist development (Berger & Beeson 1998, p.487). Within the liberal narrative, the Bank initially put the focus on privatisation and trade liberalisation and then later on had a greater focus on macro-stability (Stiglitz 1999, p.587). These types of approaches were based on solving a technical problem to achieve better efficiency in the allocation of resources, seeing this as the key to successful development (Stiglitz 1999, p.587). The Bank's focus on market-based reforms has made it so that institutional structures needed for the markets to work have been ignored and neglected (Stiglitz 1999, pp.587-588). It has therefore been necessary for the Bank to re-examine the old strategies and develop new competencies (Stiglitz 1999, p.588). In the 1990s the World Bank started to reorganise and redefine itself (Stiglitz 1999, pp.578-589). This is because during the Bank's fifty-year anniversary the rise of the notion 'Fifty Years is Enough' reflected views of discontent with the Bank and IMF as it was seen to have done more harm than good (Stiglitz 1999, p.577). The Bank has further been challenged regarding their 1993 report 'Asian Miracle' in the light of the Asian Financial Crisis 1997 (Lee 2003, p.133). The redefinition the Bank did in the 1990s shifted the means by which the Banks aim to achieve economic growth and eradication of poverty (Stiglitz 1999, p.580). This means it became more focused on the eradication of poverty. This is as the Bank shifted from large economic growth-focused projects towards programmes, projects and policy advice that more exclusively meant to include the poverty reduction criteria (Stiglitz 1999, p.580).

Kwon 1994 criticises and reviews the article 'The East Asian Miracle: Economic Growth and Public Policy' by the Bank. The article tries to see the role of public policy in helping high-performing Asian economies (Kwon 1994, p.635). The article prescribes the success of the East Asian economic success to the market and the government had an insignificant role in its success (Kwon 1994, p.635). The author outlines the failure of the neoclassical view in admitting the role of the government in the success of the economy

(Kwon 1994, p.635). It also shows, argues Kwon the failure of the Bank to defend the neoclassical view in explaining the East Asian economic success (Kwon 1994, p.643). The paper argues that the use of references in the Banks report was very biased and selective and ignored literature that does not fit the neoclassical way of thought (Kwon 1994, pp.635-636). This is similarly done by Amsden 1994, where the author criticises the Bank for attaching the neoclassical explanation to the 'East Asian Miracle' while not taking into account the East Asian development model. This critique of the Banks' explanation towards the 'Asian Miracle' and how the Bank did not wholly and fully take into account the role of the state and 'East Asian development model' whilst insisting on the non-applicable neoclassical model will serve as a theoretical basis for this thesis in order to not give a more comprehensive understanding of the 'Korean miracle'. As the neoclassical argument can not fully explain the economic success, therefore, a combination of theories will be used to understand the 'Korean Miracle'. It will be further used to investigate how this contrasts to the neoclassical model not being fully applicable to the Korean case and the insistence of this theory would in of itself 'kick away the ladder' for Korea. This is in addition to Korea turning a deaf ear towards the Banks' policy recommendation as the neoclassical approach and policies were not fully applicable to Korea's development.

3. Theory

The neoclassical approach of the Bank is clear in this section of the essay which will initially describe the different theories regarding Korea's development and rapid economic growth. Thereafter the theoretical framework that will be used in the analysis of this thesis as well as which of the developmental theories will be used as a 'background' for the analysis in this thesis.

3.1 Development Theories

In order to gain a better understanding of Korea's developmental success this part of the essay will outline different theories that aim to explain the development of a country. It will firstly lightly address the structuralist and neo-classical approaches, and thereafter describe the institutionalist approach. The institutionalist approach will be argued as more applicable to the East Asian tigers (Onis 1991, pp.110-111) and that it neither negates the structuralist or the neo-classical, however, that it rejects this dichotomy of state vs market (Onis 1991, p. 110).

3.1. 1 Structuralist

The structuralist explanation of development was dominant in the 1950s and 1960s. It puts the role of the state and its actions at the centre (Harris in Curie-Alder 2014, pp.35-40). It also saw that market failure is a prominent feature of underdevelopment and the way in which to fix it is by the state correcting these market failures (Onis 1991, p.109). This is as state intervention is what would compensate and cover for insufficient capital, entrepreneurship and skilled labour (Harris in Curie-Alder 2014, p.39). The more a country was underdeveloped the more it needed state intervention in the market economy in order to gain capital (Harris in Curie-Alder 2014, p.39) as capital accumulation was seen to have a key role in obtaining growth and development (Harris in Curie-Alder 2014, p.39). This period and way of thought therefore saw a rise in import substitution industrialization (ISI) as a way to achieve development (Harris in Curie-Alder 2014, p.40). The structuralist approach was garnering more criticism along with the countries that were employing ISI (Harris in Curie-Alder 2014, p.41). This is because countries that had planned the country's development through protective trade barriers were facing hardship in financing their investment in addition to that the industries that were created were inefficient (Harris in Curie-Alder 2014, p.41). This rise in criticism of structuralist developmental views led to a shift to a more neoclassical

explanation of development in the late 1960s and early 1970s (Harris in Curie-Alder 2014, p.42) (Onis 1991, p.109).

3.1.2 Neo-Classical

The neo-classical rise and criticism of the structuralist approach was because the ISI was leading to inefficient industries, which caused a low chance of survival and not having a high chance of entering the international market (Onis 1991, p.109). Also, heavy government intervention could cause 'rent-seeking' behaviours, which reduce productivity as economic agents focus more on lobbying for the government than increasing their productivity and engaging in activities that are more productive (Onis 1991, p.109). The neoclassical model emphasises less intervention from the state in order to let the market lead the economy as it would lead to better economic efficiency (Harris in Curie-Alder 2014, p.42). In regard to specifically the East Asian context where high levels of growth rates were achieved consistently with relatively equal income distribution (Onis 1991, p.109). The reason behind this 'miracle' economic performance was due to the East Asian tigers using an outward-oriented model that was led by a strong private sector and market incentives (Onis 1991, p.109). This was in terms of free trade and lack of governmental controls (Harris in Curie-Alder 2014, pp.43-44). The export focus of this region was also due to the stability of the incentive system in place (Balassa 1988, p.288). East Asia used less bureaucratic controls and regulations from the government in comparison to other developing countries, and a lot less policy-imposed in capital and labour markets and relied more heavily on private industries (Balassa 1988, p.288). These factors combined with each other are what led to the exceptional growth in East Asia (Balassa 1988, p.288). The Bank has had this neoclassical perspective and has been reluctant to admit the role of the government in regard to the East Asian Miracle (Kwon 1994, p.635). The counter critique of this has been made based on a reinterpretation of specifically the East Asian development phenomena which can be classified as an 'institutionalist perspective' (Onis 1991, pp.109-110).

3.1.2 Institutional

The institutionalist explanations regarding East Asian development do not support the developmental explanations of the structuralist or the neoclassical explanations. However, it shows the significance of state intervention in the background of late development (Harris in Curie-Alder 2014, p.44). The institutionalist contrastingly argues that it is the synergy between the state and the market that gives a solid basis and grounds for development (Onis 1991, p.110). This is as the institutionalist perspective attempts to move away from the two extremes of structuralist and neoclassical models. The former downplayed the essential role of the market in regard to industrialization whilst the latter solely gave credit to industrialization to the free market whilst restricting the state as much as possible (Onis 1991, p. 110).

The institutionalist perspective specifically gives a better understanding of the 'East Asian Miracle'. The core of this is the concept of the 'developmental state' (Chu 2016, p.1). The 'developmental state' is based on the institutional structures that are prevalent to East Asian economies that have significantly high growth (Onis 1991, p.111) The developmental state is a state that prioritises productivity, economic growth and technological competitiveness (Chu 2016, p.1). The market itself is guided by an elite economic bureaucracy that is of the best managerial talents (Onis 1991, p.111) They guide the market through industrial policy formulation (Chu 2016, p.1). Within the bureaucracy there is a pilot agency that is central in regard to policy formulation and implementation (Onis 1991, p.111). This therefore does not unsettle the market but leads it towards long-term market rationality (Chu 2016, p.1). This process and set-up is facilitated by a political structure that gives space for the bureaucracy to take action and to operate in an efficient manner (Onis 1991, p.111). Furthermore, close relationships are established between the elite bureaucracy and private enterprises in order to cooperate and seek consultation between the two different entities (Onis 1991, p.111). This

relationship between the two is also central in order to create an agreement on the goals that need to be achieved, this also facilitates the exchanging of information that is key in the process of policy formulation and implementation (Onis 1991, p.111). This concept of the 'developmental state' coined by Johnson (1982), is also the basis for other institutionalist authors such as Amsden and Wade where the concept is further built upon (Onis 1991, p.111).

'Late industrialisation' is the type of industrialization that occurred in Korea (Amsden 1989, p.3). This type of development challenges the traditional economic thought that has been prevalent for a long time (Amsden 1989, p.3). The 'late industrialisation' account of Korea's development outlines the functioning of the developmental state (Onis 1991, p.112). In this case Korea is a guided market economy where the market rationality and decisions are restricted based on the priorities of industrialisation efforts (Onis 1991, p.112). Therefore the state in this case intentionally intervenes with subsidies to distort relative prices to stimulate economic growth (Amsden 1989, p.8). The state in this case does not blindly give out subsidies to private firms but requires a set of discipline and goals in terms of performance standards for these private firms (Amsden 1989, p.8). This results in the subsidies and protection being more effective than in giving subsidies without any requirement in terms of performance standard (Amsden 1989, p.8). By this selectiveness of the state, the industries and firms chosen for subsidies are therefore opened up to the international market (Onis 1991, p.112). The selectivity and discipline the state put upon firms also penalised poor performers within the sector (Onis 1991, p.112). This contrasts the traditional use of subsidies as an industrial policy which also helps bail out declining firms which is prevalent in West European countries that continue to subsidise declining industries (Onis 1991 pp.112-113). The selectivity of the state is central to industrial policy (Onis 1991, p.112). This is because it allows the state enough control regardless of what happens to the rest of the economy, enough investment would be at hand for the strategic sectors central to industrialisation (Onis 1991, p.112). In this manner, the market is guided by the state elite through their implementation of long-term

rationality of investment (Onis 1991, p.112). In this manner, the state therefore is able to provide a predictable and stable market environment in which firms can take more long-term risks (Onis 1991, p.112). This type of subsidy and discipline exercised by the state facilitated and encouraged competition amongst the firms to gain cooperation from the state (Onis 1991, p.113). This combination of cooperation and competition became a central point for the success of the industrial policy implemented (Onis 1991, p.113). Another key aspect of the Korean industrial policy was the regulation of financial systems as the government during the time of industrialisation owned and controlled all commercial banks (Onis 1991, p.113). This shows the state's central role in financial regulation and the market. The dual policy in regard to subsidies where there was support as well as, rigorous discipline that encouraged competition, was crucial and a core concept of Korea's industrial policy (Onis 1991, p.113).

3.2 Theoretical Framework

This thesis will be using the institutionalist model as a background for understanding the rapid economic development of Korea. This is because the institutionalist perspective is more tailored to East Asia. Additionally, specifically the concept of 'late industrialization' is something that is specifically tailored to Korea. Furthermore, as the institutionalist perspective shows the synergy between the market and state and is not polarised, therefore it gives a more well-rounded perspective and reasoning behind the development in Korea. Furthermore, organisations such as the World Bank, IMF, and others that hold the neoclassical explanation regarding the development of Korea (Lee 2003, p.135) have later on admitted the role of the state (Stiglitz 1999, p.595). This shows that the institutionalist perspective is therefore more applicable to understanding the background and approaching Korean development. The institutionalist is going to be used as the

framework in which Korea's development occurred and therefore within the analysis, the development of Korea is going to be assumed to follow the institutionalist trajectory. Furthermore, Chang's (2002) framework will also guide the analysis of this study. The study will therefore see the discouragement of 'bad policies' and encouragement of 'good policies' as inherently 'kicking away the ladder' for Korea in terms of development regardless of intentions and belief in the 'good' laissez-faire policies (Chang 2002, pp.139-140).

4. Methods & Data

The research design and methods used were chosen as they were the most ideal in addressing the question of this thesis. This is because the thesis looks at the perspective and opinions of the Bank and therefore chooses a method most befitting to investigate perspectives. The data chosen was guided by the types of methods used and then was further scrutinised by the feasibility of what could be included within the paper.

4.1 Methodology

This thesis aims to see how the Bank attempts to 'kick away the ladder' for Korea by undermining the plans of Korea with the recommendations of more neoclassical policies that contrast with the policies actually implemented in Korea. Therefore in order to in a comprehensive manner understand and identify where the bank undermines Korean plans and give policy recommendations of a more neoclassical nature the methods chosen for this thesis is going to be a document analysis. This is because neoclassical policy recommendations can be more easily identified through analysing documents commenting on policies. Additionally, to identify if something is being undermined,

analysing documents addressing these different plans would give a clear description of the Bank's perception. The method of document analysis will guide the type of data used for the analysis.

The research design of this thesis is a qualitative case study. This is because the thesis is particularly looking at a single case of Korea and the Banks' perspective on the economic plans to gain a fuller understanding of the perspective and what this could have implicated (Punch 2005, p.144). Furthermore, the research aims to understand an in-depth perspective of Korea by the Bank whilst keeping it within the context and time frame of the plans as well as setting up clear boundaries for the study (Punch 2005, pp.144-145). Therefore the most appropriate design of the thesis is a case study (Punch 2005, pp.144-145).

As stated the methodology used in this study is going to be document analysis. This will further be conducted through using themes and analytical narrative of the documents analysed. The approach of the document analysis is twofold as within a document there are various topics so in order to better grasp the different topics themes would be ascribed to them. Thereafter within the themes the themes would be further coded and analysed. In this manner, themes within and across reports can be compared and contrasted with each other. Furthermore, the analytical narrative will be used in order to gain greater depth concerning the texts and to achieve a fuller and more comprehensive analysis.

The advantage of this type of method is that it is flexible (Brown & Clarke 2006, p.78). Therefore the theoretical framework did not pose a hindering factor rather due to the flexibility of the method it easily fit in (Kiger & Varpio 2020, p.853). Similarly with the research question, due to the flexibility of the method, the research question was not constrained and can therefore analyse different areas (Kiger & Varpio 2020, p.853).

4.1.1 Limitations of the Methodology

The limitation of the research design is its generalizability to other cases (Punch 2005, pp.145-146). However, as the aim of this study is to understand the case itself, this mitigates the limitation of this study (Punch 2005, p.146). Furthermore, as this case study of Korea and the Bank has been made in other countries albeit in later time periods a connection can still be made as other developing countries closer to current times have had the experience of multinational organisations 'kicking away the ladder'.

The limitation of this thematic analysis is that it has the danger of becoming descriptive and not analytical therefore limiting the interpretive results of the analysis (Brown & Clarke 2006, p.93). Moreover, another weakness is the themes overlapping which is also highly likely as the reports have different aspects of development but often connect them. This is mitigated in this thesis by applying the analytical narrative method in combination with the thematic analysis. Additionally, it also has the pitfall of mismatch between the analytical claims made and the theory. In order to mitigate this the thesis will in its analysis recurrently connect back to the theoretical framework.

4.2 Source Material

The data used for the analysis was guided by the methodology of document analysis, and the research design of a single case study. Therefore the data used is going to be documents by the World Bank addressing the Korean economy and plans from the time period of 1962-1976.

The data that is going to be used for the analysis of this thesis is going to be World Bank reports that reflect and comment on the three five-year plans in Korea spanning 1962 to 1976 before and during its implementation. In regard to the 1st FYP (1962-1966)'Korea-Current economic positions and prospects' 1963 (Report 1). For the 2nd FYP

(1967-1971) (Report 2), the document reviewed is going to be 'Korea-Second Five Year Plan' 1966. For the 3rd FYP (1972-1976) the following document will be reviewed: 'Korea-Economic situation and prospects' 1972 (Report 3). Additionally, the articles by Clark Robert McNamara at the World Bank. 1981 and Reid 1973. McNamara's World Bank will also be very briefly reviewed in order to gain a better and more holistic perspective of the World Banks' views. Only the 2nd FYP has a document from that time that exclusively approaches the plan. Whilst the other plans do not have an exclusive document regarding one plan just an overall economic report. However, these reports are still useful as they will still clearly reflect the thoughts of the economic situation at the time. Additionally, the reports regarding the First and Third Five Year plans, even if not exclusively mentioned in the reports, are an integral part of the reports and their reflections. This is because the plans themselves are an integral part of Korea's economic future and the reports therefore have centralised these plans in their interpretation of the Korean economy and prospects.

The sources of these reports are authentic as they are written by the World Bank themselves (Punch 2005, p.185). This makes the reports primary sources, which accurately represent the views of the Bank. This is because the reports were written by the Bank employees for the Bank itself as it was an internal document within the Bank to grasp and understand the situation in Korea. These reports were in addition to serving the Bank, it was also advice and suggestions from the Bank to Korea in regard to their economic plans and prospects. These reports only became disclosed to the public in 2010. This therefore gives the reports a very accurate representative regarding the perspective of the Bank (Punch 2005, p.185). The nature of these reports are therefore very relevant for the case investigated in this thesis as the aim is to understand the Bank's perspective of Korea's plan and therefore see if it undermines Korea's plans. Additionally, this will clearly outline which direction the Bank wants Korea to go in or suggest to go in and where they see the economy of Korea would go if the country continues on with their

plans and policies. It will also effectively outline where the Bank disagrees with Korea's policy or path within the economy.

The reports themselves are both qualitative and quantitative in nature. It is quantitative as they present graphs, and tables outlining Korea's overall growth as well as in different sectors such as agriculture and manufacturing. This is to a large extent the source for their interpretation and predictions (World Bank, 1963,1966,1972,). This thesis will not look into the quantitative data outlined in this report but rather the qualitative aspect of the report which is the interpretation of this data by the World Bank. This is as the opinions and advice of the World Bank of Korea's economic position and plans best addresses the aims of this thesis which is to see if the Bank undermines Korean planning and is giving advice leaning towards a more neoclassical perspective and contrasting the policies Korea plans to implement.

4.2.1 Source criticism and limitations

The reports give a good overview of the opinion of the Bank. However, the limitations stem from the thesis in order to be comprehensive, only using a selective amount of reports from that time. This pertains to the 1st FYP and 3rd FYP that has several reports spanning different years that address these two plans. However, there is not an exclusive report regarding the plans but the Bank addresses these plans through these different reports that are during the plan or just before the plans start. This therefore limits a full grasp of the Banks' perspective of these plans and therefore not being able to outline a more holistic perspective of the Bank regarding these plans. To overcome this limitation the economic reports that mention the plans more exclusively and which advice is given on more directly have been chosen. This is also in order for the research to become focused and more comprehensive.

5. Analysis & Discussion

Here the essay will investigate how the Bank attempted to ‘kick away the ladder’ for Korea during the three Five Year Plans (1962-1976) by looking how the Bank undermined the planning done by Korea as well as the discouragement of ‘bad policies’ and suggestions of ‘good policies’ that was opposite to the policies that were employed in reports released during this time period. The analysis will do this by interpreting the results from an institutionalist perspective, that Korea developed due to its synergy between the market and state and that the ‘developmental state’ of Korea and its competencies played a key role in the country's development. Therefore comments regarding the state and planning competencies and suggestion of policies that completely removes the state and leave it to the market or discouragement of policies where the state is involved (purely neoclassical policies and discouragement of other types of policies). Will be interpreted as ‘kicking away the ladder’ for Korea as the country did not develop purely through neoclassical policies but the role of the ‘developmental state’ and its unique set of policies is what kick-started its development during this time. The reports are to be analysed in chronological order referred to as Reports 1, 2 and 3.

5.1 Report 1

'Korea-Current Economic Position and Prospects' 1963 which reports regarding the 1st FYP. There are prevalent themes in this report: the 'weakness of the economy ' and 'inability of the Plan' and the 'inability of the State'. These three themes tie up to one theme 'lack of ability' which indicates that the action to be taken by the state and plan is not possible due to the inherent weakness of the economy and the state and plan's refusal to see this by not recognising how deficient their own policies are to the economy. The

theme of 'weakness of economy' outlines the inherent economic weaknesses that were prevalent in Korea. The theme of 'weakness of the economy' and 'inability of the Plan' is seen in the report as the plan suggests spending that the Bank sees as beyond the capacity with which the economy can keep up with. Therefore a lot of started projects and the lack of capacity of the economy will not be able to carry these plans out (World Bank 1963, p.i). The Bank argues that the ambition of the plan is not the only fault but it is "seriously deficient in other respects" (World Bank 1963, p.i). This shows that the inability of the Plan instead of aiding the economy, it will break down the economy. It also shows that the flaws of the plan are plentiful and deeply damaging. This further shows the Bank's perspective of how the creators of the Plan could not grasp the 'serious deficient' aspects of the plan, which by this indicating that the EBP could not see something that was crystal clear to the Bank. This undermines the planner's ability to grasp and understand the Korean economy on which the plan is based. Although the Korean economy is tailored by the top economists and planners of the country (Horikane 2005, p.374). The Bank sees the plan as a "valuable first step" (World Bank 1963, p.5). However the 'inability of the Plan' reoccurs as "it causes investments that are beyond the economies' abilities" (World Bank 1963, p.5). The Bank further argues that the planners surrounded the necessity projects with an abundance of more and irrelevant schemes, which resulted in policy decisions based on the growth directions and those about central priorities in development being mixed up (World Bank 1963, p.5). The Bank further argues that implementing the Plan in its original form will strain the county's resources and also create an "overloaded administrative and financial machine " that will obstruct the implementation of the most necessary projects for the economy (World Bank 1963, p.5).

The 'economic weakness' of Korea is inherent to its location, its dense and fast-growing population as well as a very small amount of natural resources, this causes foreign aid to be necessary for the population's necessities (World Bank 1963, p.25). The Bank continues to argue that due to this inherently 'weak economy' the road of development can only be progressed slowly and that in itself is a "very distant goal" (World Bank

1963, p.25). Even with success in securing financial claims from Japan, it would not resolve the difficulties within the economy (World Bank 1963, pp.25-26). Therefore this needs to be recognized by the 'Plan' and 'State' that the good intentions behind ambitious policies will not succeed (World Bank 1963, p.25). The theme of the 'inability of the State' is further emphasised by the Bank in similar to the Plan's lack of ability to grasp the reality of the Korean economy (World Bank 1963). This is further emphasised by the state recognising the deficiency and ambition in the policies they were implementing and wanting to implement, however, the state did not correct the implementation that they were advised to (World Bank 1963). This further argues the Bank shows the 'failure' of the government to fully see and identify these weaknesses within the Korean economy (World Bank 1963, p.25). The 'inability of the State' is further emphasised by them not knowing where to invest and therefore draining the already weak economy (World Bank 1963). The three overarching themes are combined into the overall theme of 'lack of ability'. This is seen as the Bank argues that the lack of appropriate action of the government to fix the financial situation and to correct the "basic deficiency of its five-year plan". This targets both the Plan in itself and the State. This is because the Plan is faulty by nature of the Korean Economy, and the state has not taken the necessary steps to correct the plan or the economy. Here the Bank undermines the Korean ability to recognise and work with the flaws of the economy and not taking these factors into account. There is also the assumption by the Bank that these capabilities are not within the creators of the Plan nor the state as they refuse to recognise crucial flaws. Therefore to some extent, these two sectors lack the ability to enforce and come up with the 'right' strategies. The Banks' lack of recognising the 'feasibility' of different plans and actions that the government and the Plan state, in itself undermines the understanding of the state and the EPB concerning Korea's economy. Here the Bank clearly undermines both the State and the plan's ability to formulate policies within their own context. It also undermines and dismisses the policies that both the State and plan want to implement as they are overambitious and are not 'good enough' policies for Korea's development.

5.2 Report 2

The analysis will now approach the report regarding the 2nd FYP 'Korea-Second Five Year Plan'. There is a slight change in rhetoric and perspective of the Bank in the second report as the Bank seemed to some extent to reconcile with the Plan and government policies as this report outlines that the "policies established are favourable to speedy growth (World Bank 1966, p.i). The previous report in contrast stated the policies that were going to be established by the Plan and the state was not conducive to rapid growth (World Bank 1963). The report further classified these factors as "intangible" and that the success of the Korean economy was "intangible". The description of ambiguity is unexpected from the Bank as the Bank as seen in the previous reports goes into both quantitative and qualitative detail when explaining a phenomena. This showcases the Bank not wanting to ascribe the success of the development to other factors that may not align with what that Bank would display as the cause of success or failure. This is a pattern also seen in the description of the 'Asian tigers' as well as the reasoning behind the failure of the SAPs as it does not support the neo-liberal narrative (Amsden 1989, Kim 1991). This also shows the Bank accommodating to the Anglo-American narrative of success and development as done with the East Asian trajectory (Beerger & Beeson 1998).

The report had put a separate emphasis on agriculture within the 2nd FYP. Agriculture is a part of the 2nd FYP however brief (World Bank 1966, Appendix, p.1) and the main focus of the plan is to continue building on the infrastructure, expanding the industry and attracting foreign investment (Chung 1994, Seth 2014). Here this shows a disagreement in the focus of the plan as well as the Bank's perspective of wanting the country to focus more on agriculture. However due to development being achieved through industrialization and focus on agriculture would make them producers of primary

commodities instead of industrial products. Within the agricultural policies the Bank discourages 'bad policies' such as 'subsidies' for agricultural land and that it needs to be reduced by "100%". Subsidies on land and agricultural land are a form of protecting the 'infant industry' in this case agriculture which is very susceptible to price changes as well as easily being outcompeted by foreign agriculture that is also mostly subsidies by the state (Chang 2002). The Bank's suggestion of its complete removal would therefore not give the Korean large-scale agriculture market a chance in the market. The infant industry protection through subsidies and tariffs was a common protection for already developed countries to employ such as the USA and Germany it was a manner to allow the industry to grow without the threat of it being overflowed with other mature industries as this will not allow the industry to grow and develop into a mature industry (Chang 2002). Through this policy suggestion, the Bank is 'kicking away the ladder' as the removal of subsidies will not allow the agriculture industry to develop and mature. Additionally, it will be difficult for the sector to start off and sell commodities at market price without the subsidies. The discouragement of 'bad policies' is further seen in the report of the 3 FYP showing a consistency of 'good policies' encouragement through time by the Bank also showing their consistency in their core ideological beliefs concerning 'bad and good policies'.

5.3 Report 3

The third report analysed is going to be 'Korea-Economic situation and prospects' 1972. The theme of 'ability of the State' is prevalent. Here in contrast to the first and second plan, the state is seen to have a greater ability in their policies and decision-making regarding the 3rd FYP as well as their ability to mitigate risks concerning the plan. This is seen as the government's stabilisation package for risk within the plan to be 'well-conceived' which indicates that it was well thought-out and applicable to Korea's economic troubles. This contrasts the report regarding the First and Second five-year

plans where the manner of mitigating risk was seen as innately flawed and not recognising the issues that are internal to the Korean economy. The Bank to a lesser extent to the first two reports undermines the plans and the state in a more subtle manner. This is seen as the state's ability is further questioned in their 'ability' to 'eradicate inflation psychology'. The Bank sees the state's ability to do this as crucial for the policies in the stabilisation package. Here the Bank has additionally, to a minor extent separated the state from the 'well-conceived' plan as the Bank has separated the state from the policies. In this manner, the Bank puts more emphasis and the success of the plan towards the planners (EBP). The 'ability' of the plan and state is further questioned through the targets of the plan; this is seen as the target of the plan is "beyond reach even if major efforts were taken" (World Bank 1972, p.iii). This shows in spite of previous successes of Korea reaching its target and beyond in the other plans there is still major doubt by the Bank concerning this. This still undermines the plans and displays the plan as unrealistic and unattainable showing a major flaw of the plans construction. This report puts greater emphasis on their recommendation and discouragement of 'good' and 'bad' policies encompassed in the theme of 'policy recommendation. This is seen as the Bank tries to discourage the policy of import substitution in raw materials for different industries within manufacturing. This is because import substitution would cause "substantial problems with pricing " "prices would be considerably higher than international prices" (World Bank 1972, Annex p.6) and lead to a "further squeeze on profits"(World Bank 1972, Annex p.7) in several different industries. This setup particularly for the petrochemical industries development "do not appear promising". This shows the Bank's recommendation to Korea to stay away from import substitution which was a policy that was in place to cater to the local manufacturing market in order to be able to further build and grow the manufacturing industry. This policy during the 3rd FYP to grow the petrochemical industry was a collaboration between the state and private enterprises (Chaudhuri 1996). Removing this policy setup and structure and leaving it to the market would not facilitate the growth of the industry that Korea did see as this help of the state and private enterprise was necessary for Korea's growth (Amsden 1989, Onis 1991).

Furthermore, the overall policy of the Bank during the 3rd FYP was focused on rural development, engaging in small-scale rural projects and small-scale rural farming (Clark 1981). This contrasted the aims of the 3rd FYP which focused on furthering the manufacturing industry particularly, within HCI, the plan also did have rural goals however this was mostly focused on gaining large-scale agriculture and food sufficiency (World Bank 1972). This contrast in aims and therefore policies on how to achieve development by the Bank was a blanket solution that was not applicable and relevant to Korea as they had gone through major structural changes with a focus on industrialization similar to what other developed nations had done (Chang 2002). Therefore the 'good policies' the Bank aimed to achieve and promoted concerning rural development towards Korea was in itself 'kicking away the ladder' for Korea. This is because the focus on producing primary commodities instead of continuing the expansion of manufacturing would stagnate the structural change as the manner in which to reach development is by being a producer and exporter of manufactured goods instead of primary commodities (Chang 2002). Moreover, there is a focus during this time on achieving economic growth with the protection of the environment (Reid 1973). This contrasts the policies and manner development had occurred for developed nations and Korea (Chang 2002). This is as Korea's development focus was on manufacturing with a focus on HCI, this in itself had an environmental cost. The Bank's policy recommendation therefore 'kicked away the ladder' as the rate of development and the area of development would not be achieved without the focus on manufacturing at an environmental cost. This contrast in policy recommendations of the Bank and Korea not following these recommendations, and continuing on with the development plan shows how the different policy recommendations were not all followed by Korea (Kim in Kapur 2010) and how the Banks attempt to 'kick away the ladder' whether intentional or not was not successful.

6. Conclusion

I set out to find out how the World Bank tried to 'kick away the ladder' for Korea during the start of the country's rapid development from 1962 to 1976. This was done through an analytical narrative answering the questions of 'how did the Bank undermine the Korean state and planning' and the discouragement of 'bad policies' and encouragement of 'good policies'. The results of this enquiry were that the Bank did undermine both Korean planning and the state. However as time went on and the success of the previous plan was clear the 2nd FYP and 3rd FYP reports ascribed greater ability to the planners and the state, however, it also tended to separate the state from the plan. Furthermore, from the 2nd report and 3rd report, there is discouragement of 'bad policies' such as subsidies and infant industry protection and encouragement of development plans and policies regarding the Bank's vision with a focus on small-scale agriculture and rural development. This contrasted Korean development plans that focused on industrialisation and manufacturing in addition to contrasting how developed nations had developed. Korea therefore turned a blind eye to certain recommendations done by the Bank and stuck to their development plans that encompassed 'bad policies' and focussed on wide-scale manufacturing and within agriculture large-scale agriculture for self-sufficiency. Therefore it can be concluded that the Bank did try to 'kick away the ladder' for Korea during 1962-1976 as they undermined the Korean planning including the state and planners as well as discouraging 'bad policies' that had previously worked for developed nations and encouraging 'good policies' that were not previously implemented by developed countries. Moreover, further research concerning the attitude of the Bank can be conducted by looking at all the reports released during that time as well as connecting how the Bank continues to 'kick away the ladder' for specific

developing countries in order to get a better grasp of the Bank's attitude and perspective and if there is a change through time and dependent on the country.

Bibliography

Amsden, A.H., 1989. *Asia's next giant: South Korea and late industrialization*. Oxford University Press, USA

Amsden, A.H., 1994. Why isn't the whole world experimenting with the East Asian model to develop?: Review of the East Asian miracle. *World Development*, 22(4), pp.627-633.

Balassa, B., 1988. The Lessons of East Asian Development: An Overview. *Economic Development and Cultural Change*, 36(3), S273–S290. <http://www.jstor.org/stable/1566546>

Berger, M.T. and Beeson, M., 1998. Lineages of liberalism and miracles of modernisation: The World Bank, the East Asian trajectory and the international development debate. *Third World Quarterly*, 19(3), pp.487-504.

Braun, V. and Clarke, V., 2006. Using thematic analysis in psychology. *Qualitative research in psychology*, 3(2), pp.77-101.

Chang, H.J., 2002. Kicking away the ladder: Development Strategy in historical perspective. *Anthem Press*.

Chaudhuri, S. (1996). Government and Economic Development in South Korea, 1961-79. *Social Scientist*, 24(11/12), 18–35. <https://doi.org/10.2307/3520100>

Clark, W., 1981. Robert McNamara at the World Bank. *Foreign Affairs*, 60(1), pp.167–184. <https://doi.org/10.2307/20040995>

Choi, B.S., 1987. The structure of the economic policy-making institutions in Korea and the strategic role of the Economic Planning Board (EPB). *Korean Journal of Policy Studies*, 2, pp.1-25.

Choi, Y.H., 1978. Failure of Democracy in Legislative Processes: The Case of South Korea, 1960. *World Affairs*, 140(4), 331–340 <http://www.jstor.org/stable/20671751>

Chu, Y.W., 2016. The Asian developmental state: Ideas and debates. In *The Asian developmental state: Reexaminations and new departures* (pp. 1-25). New York: Palgrave Macmillan US.

Chung, K., H. 1974. Industrial Progress in South Korea. *Asian Survey*, 14(5), 439–455.
<https://doi.org/10.2307/2642849>

Cole, D.C. and Nam, Y.W., 1968. *The pattern and significance of economic planning in Korea*. Harvard University, Center for International Affairs, Development Advisory Service.

Harriss, J., 'Development Theories', in Currie-Alder, B., 2014 and others eds., *International Development: Ideas, Experience, and Prospects*. Oxford University Press
<https://doi-org.ludwig.lub.lu.se/10.1093/acprof:oso/9780199671656.003.0003>,

Hickey, S., Sen, K. and Bukenya, B., 2015. Exploring the politics of inclusive development: Towards a new conceptual approach. *The politics of inclusive development: Interrogating the evidence*, pp.3-34.

Horikane, Y. 2005. The Political Economy of Heavy Industrialization: The Heavy and Chemical Industry (HCI) Push in South Korea in the 1970s. *Modern Asian Studies*, 39(2), pp. 369–397.
doi:10.1017/S0026749X0400160X.

Ismi, A., 2004. Impoverishing a continent: The World Bank and the IMF in Africa.

Johnson, C., 1982. *MITI and the Japanese miracle: the growth of industrial policy, 1925-1975*. Stanford university press.

Kapur, Devesh, John P. Lewis, and Richard C. Webb. *The World Bank: its first half century*. Vol. 1. Brookings Institution Press, 2011.

Kiger, M.E. and Varpio, L., 2020. Thematic analysis of qualitative data: AMEE Guide No. 131. *Medical teacher*, 42(8), pp.846-854. Doi: 10.1080/0142159X.2020.1755030

Kim, B.K., 1992. Economic Policy and the Economic Planning Board (EPB) in Korea. *Asian Affairs: An American Review*, 18(4), pp.197-213.<http://www.jstor.org/stable/30172285>

Kim, C.E., 1975. Transition from military rule: the case of South Korea. *Armed Forces & Society*, 1(3), pp.302-316. <http://www.jstor.org/stable/45346429>

Kim, H.A. and Sorensen, C.W. eds., 2011. *Reassessing the Park Chung Hee era, 1961-1979: Development, political thought, democracy, and cultural influence*. University of Washington Press.

Kim, K.S., 1991. *The Korean miracle (1962-1980) revisited: myths and realities in strategy and development*. Notre Dame, IN: Helen Kellogg Institute for International Studies, University of Notre Dame. (not cited yet)

Kim, S. and Jeong, D., 2017. Korea's Policy Coordination: Past and Present. *Washington DC: World Bank Group*. Retrieved from <http://documents.worldbank.org/curated/en/585021542107615960/Koreas-Policy-Coordination-Past-and-Present>.

Kwon, J., 1994. The East Asia challenge to neoclassical orthodoxy. *World Development*, 22(4), pp.635-644.

Kwon, P.B., 2019. Building Bombs, Building a Nation: The State, Chaebŏl, and the Militarized Industrialization of South Korea, 1973–1979. *The Journal of Asian Studies*, 79(1), pp.51-75.

Lee, J.W., 2003. Korea and the World Economy—Economic Development Experience of Korea and Its Future Policy Agenda. *The Journal of the Korean Economy*, 4(1).

Park, T.G., 2021. The History of South Korea, 1945–1987. In *The Oxford Handbook of South Korean Politics*. <https://doi-org.ludwig.lub.lu.se/10.1093/oxfordhb/9780192894045.013.3>

Punch, K.F., 2005. Introduction to social research: Quantitative and qualitative approaches.

Reid, E., 1973. McNamara's World Bank. *Foreign Affairs*, 51(4), pp.794-810.

Seth, M.J., 2017. South Korea's economic development, 1948–1996. In *Oxford Research Encyclopedia of Asian History*.

Stein, H., 2008. *Beyond the World Bank agenda: an institutional approach to development*. University of Chicago Press.

Stiglitz, J.E., 1999. The World Bank at the millennium. *The Economic Journal*, 109(459), pp.F577-F597.

Wolf, C., 1962. Economic planning in Korea. *Asian Survey*, pp.22-28.

World Bank., 2024. *Projects- Republic of Korea*. projects.worldbank.org/en/projects-operations/projects-list?countrycode_exact=KR&title=Korea%2C+Republic+of&os=140. Accessed 11 Aug. 2024.

World Bank., 1963. Korea - Current economic position and prospects (English). *Asia series, no. FE 29 Washington, D.C.* <http://documents.worldbank.org/curated/en/937601468273589199/Korea-Current-economic-position-and-prospects>

World Bank Group., 1966. Korea - Second five-year plan (English). *Asia series, no. AS 116 Washington, D.C.* <http://documents.worldbank.org/curated/en/298901468272062791/Korea-Second-five-year-plan>

World Bank Group., 1972. Korea - Economic situation and prospects (English). *East Asia & Pacific series ; no. EAP 33* Washington, D.C..
<http://documents.worldbank.org/curated/en/421711468272400681/Korea-Economic-situation-and-prospects>

Öniş, Z., 1991. The logic of the developmental state. *Comparative Politics*, vol. 24, no. 1., pp. 109–26. *JSTOR*, <https://doi.org/10.2307/422204>.