Modernization Theory, Ideology, and Economic Success: Putting Korea’s Development In Comparative Perspective

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Abstract

Modernization theory was once the best way to explain social change since the eighteenth century. It claimed that societies could best adapt to the modern age by following the capitalist path pioneered by the West. In the 1970s the theory was pronounced dead by Immanuel Wallerstein who replaced it with a Marxist synthesis called “world system theory.” But the evidence shows that successful East Asian nations have modernized along capitalist paths similar to those predicted by modernization theory. Attempts to modernize differently, especially through socialism and closure to the outside world, have failed. South and North Korea present two extreme examples. The South has been a great success, and the North the world’s most obvious failure of closed, anti-capitalist development.

Keywords: modernization theory, world system theory, capitalism, economic development, ideology

Social Theory and Ideology in the Twentieth Century

Now that the twentieth century is over, it is time to take stock and see what we have learned from it. It has been a century whose last quarter has produced so many unexpected outcomes that both social theory and more broadly based social and political ideologies have not caught up and absorbed all the changes that have occurred.

It is a platitude to say that when it comes to macro-social theory, whether it is concerned with social, political, or economic structures, social scientists cannot carry out the kinds of controlled experiments that micro-theorists are able to perform. We can, at best, use a comparative approach to produce quasi-experimental situations. The more data, be it quantitative or qualitative, from the more cases we have, the better off we are. But we are unable to set up anything close to conclusive laboratory experiments. Therefore, theoretical and ideological debates continue long after common sense might suggest that answers to some major controversies are available.
Modernization Theory, Ideology, and Economic Success

There have been many large scale attempts to create new kinds of societies in the twentieth century. None of these have met the criteria of purely objective, controlled laboratory experiments, and many have included elements from several ideological and theoretical traditions. Still, they offer us an unprecedented kind of practical testing ground. By now we have seen enough successes and failures to allow some strong conclusions. But the close connection between ideology and theory, each of which is difficult enough to judge objectively, makes the task of drawing useful lessons from the experiences of our century difficult.

By far the two most original ideological movements in the twentieth century were revolutionary fascist corporatism and revolutionary Marxism. Each had an accompanying set of social theories that preceded their coming to power. In fact, both political movements came originally from social theories produced by intellectuals, and they were later disseminated and popularized by activists. As social and political systems both have failed catastrophically, Many, though not all of their faithful followers who have survived have partly abandoned their original premises, though often not their core beliefs.

The other major ideological movements of the twentieth century have somewhat older origins than fascism and communism. One came from the European Enlightenment of the eighteenth century, and emerged in the nineteenth as what is broadly called liberalism. This called for respect for individual over collective rights, a firm faith in human rationality, a conviction that on the whole individual choice expressed in open markets (that is, political democracy and economic capitalism) should determine most of the direction of both political and economic activity, and finally, a belief that it is impossible to devise perfect answers to social problems. It appeared, first, as a set of rather abstract philosophical principles, but eventually became the basis for some powerful political movements. In the first three quarters of the twentieth century the theoretical view of society that is linked to political liberalism seemed to be in decline, but in the last quarter, the success of the liberal, democratic capitalist systems has reversed this trend.

Then, there has been nationalism. But nationalism may be consistent with fascism, communism, or liberalism, and with sentiments of ethnic and religious communal solidarity that are far older than any of the modern ideologies. It has to be worked into any discussion about the major ideological trends in the twentieth century, but care by case rather than as a complete ideology by itself.

1 For a good discussion of the history of liberalism, see Mament, 1995. For a history of its critics, Holmes, 1993; and for a popular celebration of its recent success, Fishna, 1992.

This is theoretically awkward, but there is no way to avoid it. One thing that can be said about nationalism, however, is that in one important way it is like the other major ideological movements that have so upset our century. Modern nationalism originated as a set of ideas among intellectuals, and has spread from there to the general population.

The major social theories constructed in the nineteenth and twentieth centuries have been tied intimately to important political ideologies. That is certainly obvious with Marxist social theory which was the intellectual base of communism, or with Social Darwinism combined with eugenics theory and corporatism that became the foundation of Nazism and some other fascist movements. To take a liberal example, the same close connection can be found between the evolution of neo-classical economic theory and the legitimating ideologies that buttress free market economies. That makes the dispassionate examination of these theories all the more difficult, as they are firmly associated with particular political ideologies that appeal as much to emotion and faith as they do to objective social theorizing. Yet, logically, we should make some attempt to unbundle social theory from ideology. The failure of communism or of Nazism may cast strong doubt on some of the social theories that supported them, but Marxist, Social Darwinian, and corporatist theories (which actually are not incompatible with each other) may still have something useful to tell us.

What does all this have to do with Korea? In a sense, at least from an academic’s viewpoint, it has a lot to do with both the recent Korean past and with its future. The major social, political, and economic issue of the twentieth century has been, and continues to be how well will various societies adapt to the unprecedented kind of practical testing ground. By now we have seen enough of changes forced on the entire globe by the industrial revolution that began in Europe in the eighteenth century. These changes have often encompassed every corner of the globe, but now, as one hundred years ago, the most important question to ask about any society is: How well has it modernized and coped with all of its associated upheavals?

There is a contemporary literary fashion that has spread into all humanistic studies and into many of the social sciences that calls the late twentieth century “postmodern.” Applied to serious issues of social change, the attempt to

2 For some recent analyses of nationalism see Heilbroner, 1989; Geithner, 1983; and the more controversial analysis of Greenfeld, 1992.

3 A discussion of the effects of Marxism and Social Darwinism on the phenomenon of tyranny in the twentieth century, and their compatibility with each other can be found in Chrest, 1994: 50-76.

import notions of postmodernism is completely misleading.  Modernization, that is urbanization, the rapid increase in productivity, the increasing mechanization of every aspect of our lives, drastic improvements in standards of living and life spans, our ability to transmit information ever more rapidly, and the spread of education—these are changes that are far from being finished. Even in the most advanced industrial countries such as those of Western Europe and the United States, rapid change continues as a result of modernization. In France, as recently as two generations ago, peasants were the largest class of inhabitants, and women obtained the vote less than 60 years ago, in 1946. In the United States, before World War II, the South, its largest region, was still a largely agrarian, caste-based, quasi-feudal, poorly educated, traditional society. Japan, for all its breathtaking militarism in the 1930s, was also a society dominated by an agrarian-feudal ethos and deep traditionalism. Postmodern? We have hardly begun the modern age, and we barely understand its social ramifications. Only those with no sense of history, or technology think that somehow we have come to the end of the modern age.

Korea, as we all know, has had one of the most rapid and dramatic experiences with modernization in the second half of the twentieth century. And like very other part of the world, it has had to struggle to find a way of adapting. Its great success, which hardly anyone expected fifty years ago, has not freed it from anxiety about what path to take in the future. The debates about the best way of coping with continuing rapid change, the ideological camps which have existed in the recent past, and will exist in this new century, and the theories on which these various proposed solutions are based are all matters of contention. Nothing is firmly settled. This has been, after all, the condition of modernity for two hundred years. For that reason, theoretical conclusions that we may draw from observations about the twentieth century are directly relevant to any interpretation of Korea’s recent success, and to the debates about its future. Korea is in no sense unique in this respect. Weighing the validity of various competing social theories of modernization, and of the political ideologies and strategies that derive from them is a vital task everywhere.

What Works?

In a fascinating, very widely book the world’s most eminent Marxist historian, Eric Hobsbawm, revealed his feelings in a way few of his readers have seen before. In a chapter entitled “The Crisis Decades” in The Age of Extremes, he

suggests that the moral and economic decline of Western liberal societies marks the failure of free market liberalism just as surely as the fall of communism in Eastern Europe and the USSR marks the failure of socialism. And in his concluding chapter, he remarks that the failure of liberalism when it was actually practiced in its extreme form with post-communist economic shock therapy in Eastern Europe, or Mrs. Thatcher’s attempt to impose it on Great Britain show that it is theoretically bankrupt as well as practically impossible.

It takes a socialist like Hobsbawm, or in a somewhat different context, a communitarian like Robert Bellah to come up with a strange conclusion like this. In the 1990s Eastern Europe successfully underwent a painful transition from having inefficient communist economies with depressed standards of living to having much more competitive and better off ones. From 1993 to 2003 the Czech Republic’s Gross Domestic Product (GDP) grew at an average of 2.2% a year, Hungary’s at 3.5%, Slovakia’s at 4.3%, and Poland’s at 4.4% at a time when the Euro area, on average, grew at 2.3% a year. The Baltic countries of Estonia, Latvia, and Lithuania have had GDP growth rates averaging over 6.5% a year in the 2000s. The poorer countries of Bulgaria and Romania, after going through very difficult times during the period of adjustment in the 1990s, have been growing, respectively, at 5.1% and 4.5% per year in the 2000s. Hobsbawm is right, of course, that absolute free market conditions were not tried, and never could be because they are only a theoretical construct. The point, however, is that these societies did experience a serious shock as they moved toward a capitalist system; it was painful, but that ultimately they have benefited and shown that market oriented reforms do work. Holding on to the stagnant economic systems that had prevailed before 1989 would have led to continuing decline and suffering.

The former Soviet countries (outside the three Baltic ones) have also experienced significant growth in the early 2000s, largely because of high energy prices that have benefited Russia’s and Central Asia’s oil and gas dependent economies, even though they have not reformed nearly as much as Eastern Europe and the Baltic. But an interesting aspect of this is that these former Soviet countries are following a path unlikely to lead to significant long term development. A good indicator of this is that those former Soviet countries that have remained least reformed have had noticeable increases in poverty and

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hunger, whereas those that have become capitalist democracies, namely the small Baltic countries of Estonia, Latvia, and Lithuania have had sharp drops in hunger from 1993 to 2001. For former Soviet countries (excluding the Baltic), the proportion of the population that is malnourished has risen from 7% to 9% during this time, whereas for the Baltic countries it has fallen from 5% to 2%. Even more dramatically, a look at the two largest Central Asian countries of the former Soviet Union, Kazakhstan and Uzbekistan (the two contain about 72% of Central Asia’s population) shows that in the former the proportion of the population that is malnourished has risen from 1% to 13%, and in the later from 8% to 26%. Clearly, to end socialism while replacing it with an autocratic, corrupt state run economy that remains unformed does produce negative effects, but the critics of capitalism are wrong to blame this on liberalization of the economy.

As for the United Kingdom and the United States, so despised by their critics, there is very little evidence that either have been ruined by the revival of, and recent dominance of what are now called “neoliberal” economic policies. On the contrary, all the evidence points to the robustness of their economies which continue to grow faster and have considerably less unemployment than the less “neoliberal” continental economies, most notably France and Germany. From 1993 to 2003 America’s average annual GDP growth rate was 3.2%, Britain’s 2.9%, and the Euro zone’s was 2.3%. In 2004 America’s growth rate in 2004 was 4.0%, and Britain’s 3.1%, while the Euro area’s growth in 2004 was limited to 1.8%.11

The point is not to make too much of relatively minor difference in the economic growth rates of very rich OECD countries, all of whom are substantially capitalist and democratic, but to emphasize the point that liberalism is very far from being a failure. The same holds when the statistics for former communist countries are compared. The situation is complex, and it is not the formal abandonment of communism that is at issue, but the degree to which liberal market reforms have been implemented. China, of course, growing at about 7% to 8% year for well over two decades is a case in point. It is far from being a democracy and, many of its economic sectors are not free of state control, but it has prospered by opening itself to the world market, by allowing entrepreneurial activity, and by allowing its people even increasing amounts of personal freedom.12

What offends the critics of liberalism such as Holshamn and Bellah is the amorality and impersonality of markets, be they economic, cultural, or political. Measures of economic performance could hardly convince them to change their minds. As long as there exist any signs of economic difficulty (which are always easy to find in any system) the critics of liberal capitalism will use this to support their criticism, and largely neglect the bigger picture which shows that on the whole the more liberalized an economy the more able it is to adapt to change, to grow, and to provide more of its people with a comfortable life.

In judging what political ideologies and modernization strategies are more or less successful we can turn to old-fashioned functionalist-evolutionary criteria and ask, simply: What has worked and what reproduces itself successfully? Specifically, in our times the question is: What has allowed some societies to modernize successfully, while so many have succeeded less well or failed dramatically?

It is not possible to solve definitively the acrimonious debates about what kinds of policies lead to rapid economic development. Is it necessary to “get the price right” or, as Alice Amsden suggested for South Korea, to “get it wrong,” but in the right way? Is a developmental state necessary, or can laissez-faire handle development? Perhaps it is best to remark, as Stephan Haggard and Tun-jen Cheng once did, that each case history is somewhat different, and even within East Asia, much less the entire world, it is difficult to draw clear policy conclusions from past experience.13

Nevertheless, a few very broad lessons can be drawn. Markets work. Centrally planned economies, especially insofar as they are able to also resist competitive pressures from the outside, work poorly. The more advanced the global economy, the less adaptive socialist, closed economies become. We could argue about the details, but this fact is so obvious that its central validity is no longer subject to argument. An economy such as South Korea’s may have had a high level of government involvement and planning in its successful development, and it may continue to be substantially protected from certain forms of outside competition. But if it had sealed itself off from the global market and not become so dependent on exporting to the rest of the world, it would have been in as ruinous a condition as North Korea’s economy. Further, with continuing technological progress in the world economy, the South Korean economy will continue to prosper by becoming less dependent on government favors and regulation, more open, and even more competitive. To go back to a more controlled, less open economy would only erode some of the astounding progress of

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13 Amsden, 1999: 139-155.
the past fifty years.\textsuperscript{15}

There is not even any strong evidence that the kind of corporatist, protectionist policy followed by the government of South Korea, and the fostering of the huge corporations that dominated the Korean economy during its period of most rapid growth have been an important reason for Korea’s success. Judging from the performance of some other East and Southeast Asian economies, it is conceivable that greater decentralization and less government control from the start might have done the job even better. Certainly that has been the case in two of the new “little dragon” economies of East Asia, Hong Kong and Taiwan. Without large amounts of American aid after the Korean War, heavy American involvement in training personnel in the 1950s and 1960s, and eventually an American ultimatum in the early 1960s to force Korea to develop faster in order to reduce the burdens on American foreign aid, the South Korean model might not have worked at all.\textsuperscript{16}

The record in East Asia is quite clear. Between 1980 and 1990 South Korea’s economy grew at an average rate of 8.4% a year. From 1990 to 2002, despite the “Asian economic crisis” of the late 1990s, it grew at an average of 5.6% a year. China’s comparable growth rates during this time were 8% a year from 1980 to 1990, and 7.3% a year from 1990 to 2002.\textsuperscript{17} North Korean statistics economic statistics are not available, but there is an estimate of malnutrition in that country. In China, the proportion of the population that was malnourished in 1990-92 was 16%, and by 2000-2002 that had fallen to 11%. South Korea’s proportion fell from just above to just below 2% in that time. Meanwhile, North Korea’s malnourished increased from 18% of the population to 36%, by far the highest in East Asia and at a level above that of even most impoverished countries in Africa.\textsuperscript{18} China is far from being an ultra-liberal country, and even South Korea does not adhere to an extreme form of neoliberalism, but the trend in both has been toward ever greater liberalization, and even in areas highly regulated by their government, firms have been increasingly forced to compete in the open world market. This is what has enabled them to adapt and grow.

If arguments persist about how much state intervention was necessary for Korea to succeed, or for any modern economy to progress, it is easier to conclude that the prescriptions of what is called “dependency theory” or sometimes “world system theory” turn out to be completely wrong. Ultimately, they called for some form of closure to the capitalist global economy, because development from that point of view has to be a zero-sum game. Any one economy’s gain is another’s loss, and the strong ruthlessly exploit the weak. Bruce Cumings put it nicely some years ago in a well known article that predicted that there was only room for one “semi-peripheral” success in East Asia, and South Korea was destined not to be the one.\textsuperscript{19}

These kinds of theoretical prescriptions, demanding closure, import substitution, and generally eschewing the world market have actually been turned into functioning policies in many places in the second half of the twentieth century: all the communist countries before China began to reform itself under Deng Xiaoping, Italy under Mussolini (his failures in foreign policy have obscured his regime’s dismal record in promoting economic growth), Argentina from the 1930s to the 1980s, Peru in the 1970s and 1980s, Burma, India from independence until the 1980s, and others. All have been long term failures.\textsuperscript{20}

India is particularly interesting in this respect. Its average GDP growth between 1965 and 1980 was 3.7% a year, but because of its high birth rates, per capita GDP in those years grew at only about 1.8% a year. As India started to open its economy to the outside world in the 1980s, its growth rate increased to 5.7% per year in that decade, and to an average of 5.8% per year from 1990 to 2002. As its population growth has slowed, another byproduct of modernization, its per capita product has been increasing at about 4% a year, more than double the old rate.\textsuperscript{21} In 2004 India’s GDP grew at the rate of 7.4% a year, surpassed in the world only by China and Singapore’s growth rates for that year (not counting economies whose entire GDP fluctuates wildly according to the price of oil)

\textsuperscript{15} Though her perspective on modernization is very different from mine, this was also Jung-en Wu’s conclusion in Wu, 1991. 202-203. Her book was written when South Korea was still much more protectionist, and its economy more state-controlled than today, but the general conclusion remains valid.

\textsuperscript{16} How important the interventionist role of the state actually was in South Korea is a contentious subject. I accept Paul Kuznets’s assertion on these matters in Kuznets, 1994. He stresses the fact that however one interprets Korean government policy, the total percentage of public sector spending as a portion of GDP was much lower in Korea than in other comparable countries, largely because of low spending on health, housing, and social security. On the comparison with other East Asian NICs, see Vogel, 1991, particularly his remarks on Korean-American relations: 52-53.

\textsuperscript{17} World Bank, 2004: 182-184.

\textsuperscript{18} FAO, 2004: 36.

\textsuperscript{19} Cumings, 1997: 78-81.

\textsuperscript{20} In Chirot, 1996 I discuss the cases of Argentina and Burma in detail in chapters 8 and 9, emphasizing the disastrous results of policies that were meant to keep these countries free of “foreign” interference and markets. The case of India is more complicated, but there is little question that a recent opening that is starting to produce significant economic growth is under intense attack by nationalists incapable of understanding the harm they would inflict on their own population, particularly the poor, if they succeeded in reimposing closure of the Indian economy. On Mussolini’s Italy, see Clough, 1964. On India’s recent rapid growth and the political dangers posed by its anti-liberal nationalists, see The Economist, 2003: 43.

because they are so dependent on petroleum exports."

It is important to remember that dependency theory originated as a German nationalist economic theory in the nineteenth century. It was adopted by both Marxists and corporatists in the early twentieth century. In the period between World Wars I and II fascists applied the theory at almost the same time that Stalin's Soviet Union did. Later it turned out to be compatible with the mild socialism espoused by independent India's first generation of leaders, and by a variety of other regimes. This shows how carefully we must tread when discussing global ideological and theoretical schools of thought, especially when it may be that ultimately nationalism has been the most enduring and potent ideological force in the twentieth century, as well as the most threatening to liberalism.

It has not just been the communist and some fascist-corporatist attempts to modernize that have resulted in catastrophe. Looking across Africa since the establishment of independent states some three to four decades ago (but only two decades for the former Portuguese colonies), one sees an almost unbroken pattern of failure. Harsh communist regimes such as those in Guinea or Ethiopia, milder socialist ones that prevailed throughout most of the continent as in, until the late 1980s, in Ghana, Tanzania, or Zambia, or even relatively non-socialist governments such as in Nigeria, Zaire, and the Ivory Coast (once black Africa's most promising experiment with capitalism) have little to boast about. Immense, almost unbelievable corruption in places where there were valuable natural resources to be looted, as in Nigeria and Congo (Zaire), very weak loyalty to existing state institutions and boundaries, a virtual absence of strong bureaucratic traditions to guide civil servants, low levels of modern education, and autocratic but inept political elites have made most of the continent inhospitable to outsiders as well as to domestic investors. Despite very low standard of living, African economies have been unable to take advantage of their low wage-rates, unlike some of the Southeast Asian economies such as Indonesia and Thailand.

There are many cases around the world of weak, corrupt states that have caused economic havoc. Pakistan comes to mind, and there are many candidates for this kind of failure among the post-Soviet states, particularly in Central Asia.24

24 For some of the background and details about how to fix Southern Italy’s problems, see Mounippe, 1973. Southern Italy has been the only region in the European Community (before the addition of former communist countries) that has fallen further behind the developed parts of Europe in recent years. See Apicella, 1998. The public authorities in the North are so corrupt and ineffective that, as Jobert, 1985, found, money spent on education and training has no positive effect on development. Yet, the rest of Italy has undergone an economic miracle since the late 1940s that is almost as impressive as what has happened in East Asia since the 1950s. Inept and corrupt government has been, in a sense, overcome by Italy’s participation in the Common Market, and by a lot of semi-undercover business activity that simply bypasses the government. On the difficulties of carrying out reform in Mexico, see Centeno, 1994.

An inability to maintain a stable currency, enforce contracts or even basic law and order, and systematic corruption made many Latin American economies perform anemically for a long time, and we cannot be sure that even substantial economies such as Mexico can avoid falling back into this kind of calamitous spiral in the future. The Philippines under Marcos may have turned in such a weak performance for precisely these reasons rather than because of any obvious policy error or more fundamental economic flaws. Even within otherwise prosperous and successful modern economies we can find the same phenomenon at work at the regional level. Southern Italy, for all of the billions of dollars’ worth of subsidies poured into it by the Italian government remains far poorer than it should be because of corruption and a local social system unable to enforce basic norms of honesty. Corruption and the fact that government subsidies have been used inefficiently keep Southern Italy relatively backward to this day.25

What this suggests is that it takes more than lack of government control to produce economic success and make societies capable of adapting to the modern world. There also need to be states strong enough to insure domestic tranquility, protect property rights and enforce contracts, and bureaucracies able to maintain decent infrastructures and communications. Economic growth requires, as Douglass North has been arguing for several decades, institutions that lower transaction costs, secure property rights, and make information widely available.26 States unable to carry out these functions, or ones that deliberately block them, either for ideological, anti-market reasons or for corruption’s sake, to be better able to steal, will slow economic progress. One can add a large list of desirable governmental actions, though most of them would fall under the categories stressed by North. The point is that no reasonable observer would deny the important tasks that governments have to be able to carry out. But in the absence of market mechanisms, even governments that build infrastructures, educate their populations, and maintain law and order will fail. This is what happened in European communist states. They did everything more or
less right except that they were socialist and disregarded both internal and world markets, or at least they tried to ignore markets until it was too late.\textsuperscript{27}

**Legitimizing Capitalism**

This brings up another key function that modern states have to carry out. They have to legitimize markets. Markets, like all uncontrolled evolutionary processes in which the successful survive and others perish or fail to reproduce, have nothing inherent in them unless one considers utilitarianism the basis of an ethical doctrine. This is the principal reason for which almost all civilized societies in the past looked down on commercial activity as unclean money grubbing. Honor, noble lines, gracious comportment, learning, or at least skill in some obvious physical endeavor rather than the mere ability to manipulate goods and financial instruments always struck upper classes in agrarian societies as more appropriate ways of assigning rank and prestige. Among agrarian societies, for most of their existence there persisted among the mass of peasants a strong inclination to demand equality and to disapprove of those who tried to get ahead too quickly. All of this may have been quite functional in the agrarian age that lasted until the industrial revolution. It was obviously useful much earlier than that when humans lived in small bands that had to stick together in a friendly way in order to survive. But market societies are in flagrant violation of all the old virtues, whether of nobles, learned officials, or egalitarian peasants. This is why, as Ezra Vogel has pointed out, it was necessary for the old Confucian order to be thoroughly discredited in East Asia before economic growth could take off.\textsuperscript{28} Albert Hirschman reaches a similar conclusion in a different way in his examination of why Enlightenment philosophers had to legitimize capitalism before it existed in order to make a capitalist order possible in Western Europe.\textsuperscript{29} The problems of legitimization of markets, of inequality, and of open competition are not trivial, and many difficulties in modernizing societies can be ascribed to the unwillingness of most classes to change their minds on these issues. Yet, it must be done, and here state sponsored educational institutions can play a major role. The absolute unwillingness to do this in communist schools and communist regimes’ officially disseminated culture turned out to be one of the greatest barriers to further modernization and economic success, and now, in some of these post-communist societies, it will take decades of work to change prevailing sentiments which are as traditional and deeply rooted as in pre-modern agrarian societies.

It is in this domain that intellectuals can play a particularly important role, either in blocking or in accelerating successful modernization. Many of the theories of change popular among intellectuals, whether of the fascist-corporatist, or of the socialist variety have contributed mightily to slowing modernization insofar as they have been taught in school systems. The successes of leftist and rightist revolutionary parties in mobilizing students and intellectuals all over the world throughout most of the twentieth century are a testament to this. As has now be shown, particularly by the pioneering work of political scientists like Zeev Sternhell, the common element of most of the major revolutionary doctrines of the this century was hostility to liberal individualism and to capitalist markets.\textsuperscript{30}

In short, despite the successes of a liberal approach to development, its future acceptance is no more guaranteed now than at the start of the twentieth century, when all these lessons were already available. The resistance to change among theorists, ideologues, and among large portions of populations everywhere has not been eliminated, though some of the most egregiousely harmful alternatives to liberal capitalist modernization have been disgraced. If it were only a matter of Marxism, or fascist corporatism, it would be possible to say that these have been shown to be failures, so they will not be repeated. But anti-liberal nationalism, especially in the form of resentment against the rich and powerful nations of the West, has in no sense disappeared. It will find new theories, neo-Marxist, fascist, religious, or who knows what to serve as the base of movements and parties determined to resist the Western form of modernization.

**Theoretical Implications**

If we look at Walt Rostow’s venerable and often mocked book, The Stages of Economic Growth: A Non-Communist Manifesto, we find that his typology still holds up. Economic modernization begins with the establishment of essential preconditions for an economic take-off.\textsuperscript{31} In the case of Korea, that happened under Japanese colonial rule when the necessary infrastructure was

\textsuperscript{27} This topic has now been explored by hundreds of studies. My position on the reasons for the collapse of communism is found in Chirot, 1991.

\textsuperscript{28} Vogel, 1991: 83-84. This is not to deny the virtues of having a meritocratic bureaucratic ideal, a sense that the family must be nurtured and preserved, or that every individual owes his or her duty to a larger community, all stressed by many of the advocates of “neo-Confucianism,” including Vogel, 1991: 92-103. On the other hand, the high bureaucratic elite’s often despised commerce and industry and as long as it ruled, economic progress was retarded.

\textsuperscript{29} Hirschman, 1977.

\textsuperscript{30} Sternhell, 1995.

\textsuperscript{31} Rostow, 1960.
built, agriculture was marketized, and a modern civil service was instituted. The somewhat strained efforts by Korean nationalist historians to find sprouts of capitalism in pre-colonial Korea do not prove a contrary position. At best, they suggest that Korea might have been able to do this on its own, and that may be. But for better or for worse, it was under Japanese rule that it happened.30

The same preconditions are always necessary. Rostow’s list includes non-economic factors taken from the writings of the functionalist theorists of the mid-twentieth century, and they remain valid today. At the heart of all necessary changes is the spread of new aspirations and broadened horizons that can tolerate, even welcome change. Everywhere, colonialism increased migration, monetized the economy, and promoted new forms of social mobility, but the Japanese, in that sense, were the most thoroughly modernizing colonizers.

Then there was the take-off. This might have begun in the very late colonial period in Korea, but what was built then was destroyed during the Korean War, so that the real take-off dates only to the early 1960s. Here we know that American aid contributed at a time when an unfavorable balance of trade might otherwise have damaged South Korea’s take-off. As such, it was a substitute for the kinds of foreign investment brought in by the presence of exportable natural resources.31 In the 1970s and early 1980s Korea became what Rostow calls a “natural” economy, that is, a diversified, technologically modern economy. In the late 1980s and 1990s, it has become a high mass consumption economy.

It was not the typology itself that was so important for Rostow, nor what made his book so hated among his critics. What was crucial was his functionalist-evolutionary theoretical base. Rostow suggested, first, that the way in which some Western societies, primarily Great Britain and the United States, have developed corresponded to a general pattern that had to be followed more or less by everyone. This did not mean that France, Germany, Great Britain, and the United States all had identical economic histories or that they developed the same institutions, but that they had to fulfill certain functional requirements for development.

Communist societies could create all the preconditions for take-off and

provide the investment and discipline for a take-off, but they were unable to run diversified, mature industrial economies because the absence of markets blocked the signals needed to improve efficiency and continue the pace of technological progress. This blockage made even the wealthiest communist economies unable to reach successfully the stage of high mass consumption.

The underlying theme of all functionalist theory is not inherently ideological, it only demands that we look at what succeeded, and draw appropriate lessons. It was precisely because the British, Americans, and some other West Europeans thrived as their societies and economies became more liberal and capitalist that anti-Western nationalists throughout the twentieth century have grasped for one theory or another that would permit them to modernize their societies without becoming too Western, that is, too liberal and capitalist. And the fact that, inescapably, functionalist theorists in the 1950s concluded that there must be something working in the United States, or else it would not have become so powerful and rich, antagonized younger social scientists (both within and outside America) who bitterly resented American power and the unfairness of American society.

In a sense, in Korea we see something like this with respect to the Japanese model. South Korea has, in fact, followed the Japanese model quite closely, but this raises problems for its nationalists who would prefer to find alternative models of development. And the fact that the Japanese model of development has come to fruition only after it was opened up under American hegemony has made American liberalization suspect, too. Dependency theory, Marxism, or, for quite a time, Kim Il Sungism seemed more appropriate for nationalist intellectuals than liberalism or its seeming theoretical corollaries, functionalism and neo-classical economic theory.

In that respect, Bruce Cumings’ analysis of Korea is perfectly correct. North Korea, independent of American hegemony and the world capitalist system, has been able to follow a far purer nationalism than South Korea. Cumings has also been right to say that the natural inclination of many of South Korea’s elites has been similarly corporatist (because that is what North Korea has-national socialism in its purest corporatist form).34 The very fact that South Korea was too dependent on American hegemony has kept it in the world market, has opened it to the outside, and has ultimately allowed its democratic forces to triumph. In forcing South Korea into this path, America’s hegemony

30 I understand that here again there is a heated debate among specialists. But among the younger, leading scholars working in the West, there seems to be substantial agreement that the preconditions for a take-off did occur in colonial times. See Woo, 1991; Eriksen, 1991; Shin, 1997.

31 Whether or not one thinks the Park Chung Hee regime that took power in a coup in 1961 deserves the credit for South Korea’s subsequent economic development, as many scholars do, there is a consensus of opinion among specialists that a take-off did occur in the early 1960s. Jung-En Woo, who clearly dislikes Rostow and his theories, and is not fond of Park, nevertheless agrees that this happened. Woo, 1991: 73-74.

34 This is expressed most clearly in Cumings, 1982-1983. It has also been a theme in his work on the Korean War, particularly Cumings, 1990: 313, 314, 332. It is a theme that runs through his pamphlet on the possible future unification of Korea, Cumings, 1985.
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has created the conditions that insured its success. It is worth noting that it was precisely because South Korea had been transformed by American pressure into a more open, more liberal, and more democratic society that it pulled out of the serious Asian economic crisis that hit it so hard in 1997-98. This is the lesson Meredith Woo-Cummings draws from the astounding Korean recovery.31

This might suggest that Dependency Theory and World-System Theory have it all exactly backward. The more tightly connected a periphery (originally, a society and economy that has not yet begun to modernize) to a more advanced core, the more likely it is that it will be modernized and obtain the conditions necessary for development.

We have had many cases of economic take-offs that have been aborted or gone off in unsustainable directions because of policies designed to limit the power of markets and to keep out the influence of the world system. To some extent, almost all governments have tried to do this at one time or another during the process of modernization. But in that respect, the most successful, the most closed, the most determined to be self-reliant, like North Korea, have been the greatest failures.

The biggest theoretical question is why this is so. What is it about open societies with open markets that makes them so adaptable?40

Quite simply, any social, political, or economic system that allows experiments to occur, and permits signals about the failure and success of these experiments to circulate and influence future decisions will be more successful. It is the messiness of open politics and market economies that provides their strength, just as it was the hard-fought establishment of key corners of intellectual freedom that allowed the scientific and technological revolution in Western Europe to flourish in the early modern age. Immanuel Wallerstein, no matter how wrong he has been about many other aspects of the modern world system, was right about this: the very disunity of capitalist world economies was the key to their success.41 Competition and the inability to impose monopolies, despite the many attempts to do so, have remained the ultimate strength of liberal societies. In the long run, the centrally planned, ideologically dictated, politically unfree societies that competed with the liberal democracies in the twentieth century proved unable to maintain the flexibility required to adapt to changing circumstances. Messages about failed policies did not circulate well enough, free thought, and therefore innovation were partially or entirely stifled; popular dis-

31 Woo-Cummings, 1999: 134.
30 Wallerstein, 1974.
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systems present them with a continual threat to their dominance. It is not nor-
mal for those in power to want to allow competition against their own interests.
Furthermore, as we have seen, even within the lower ranks of most societies, and
certainly all agrarian societies, resistance to change and a stubborn egalitar-
ianism prevented more efficient institutional arrangements from emerging.

In the twentieth century, however, the progress of a few Western soci-
eties might have served as a dramatic example that reform along Western lines
was necessary for successful adaptation. Indeed, that is exactly what did happen,
as modernizers took power in one place after another. Unfortunately, many of
them thought it would be possible to carry out economic and technological
modernization without adopting liberal political systems or tolerant intellectual
atmospheres. In particular, the utopian visions of the Marxists and fascist-corpo-
ratists combined with strong anti-Western nationalist elements to offer alterna-
tive paths to modernization. Once in power, the most successful of these vision-
aries were able to create alternative, though ultimately unsuccessful moderniz-
sing systems. Stalin, Hitler, Mussolini, the Japanese military, Mao, Ceausescu,
Pol Pot, Ne Win (at least in his earlier years as ruler of Burma), and, yes, Kim Il
Sung were not just, or even mostly corrupt tyrants. They were men of vision
who genuinely believed that they knew better than anyone else what their soci-
eties needed to become strong, independent, and modern. Secure in their ide-
ological and theoretical errors, they refused to countenance competition or modi-
fication of their societies, and they destroyed what they had wanted to build
rather than surpassing or even catching up to the hated West. Exactly the
same thing will happen to the Islamic extremists who want to revive a puriti-
anical, absolutist form of early Islam. If take power and push their absolutist utopi-
an dreams too far, they will also ruin their societies.

It is worth noting that despite its radical Islamic government, Iran has
moved away from the abyss by being much more flexible than outsiders expect-
ed, by continuing to allow some dissent, albeit limited, and especially by avoid-
ing the over centralization of the economy that spelled disaster for more closed
systems such as that of North Korea. Iran never abolished private property, it
never established the kind of totalitarian regime that characterized the right
wing and left wing ones in the twentieth century, and it never invaded the pri-
vacy of the family because the Ayatollah Khomeini thought that this was a viola-
tion of Islamic law. Iran under religious rule is unlikely to adapt as successfully
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There are chapters on all these cases in Chirot, 1996.

Daniel Chirot

system, the way China has.  

In the agrarian past many of the institutions that made some agrarian civilizations strong were functional in the sense of maintaining order and mobilizing resources for war. Economic efficiency in a capitalist-market sense was not critically important, and in the absence of advanced technology, would not have made that much difference in determining the relative power of one society over another, at least in the short run.

With the emergence of an interdependent, highly advanced capitalist world system the situation has changed. The evolutionary process has brought forth a set of institutional arrangements that make those societies that adopt them far more efficient, powerful and prosperous than others. Now we can compare standards of living or different levels of popular satisfaction, not just levels of military power across societies. In short, we now have ways of evaluating "bottom lines" that did not exist in the past. Only wars or catastrophes could bring out such comparisons in the past, but now, it is easier. This means that the evolutionary process that has made liberal market societies so successful can function more smoothly, and North's paradox might be resolved. The world may not be moving toward a single, united political system, but economic institutions are becoming more alike as they become more efficient.

This hardly means that "history has ended" or that we can all rest assured that the future will be bright. We have enough evidence that it remains possible to block liberal modernization. Intellectuals hostile to liberal capitalism all over the world, including ones in the most advanced countries, are busy cooking up new theories that will, in this new century, promise alternatives to liberal modernization, and will, undoubtedly, inspire new generations of eager visionary tyrants. Many of these, it now seems, will be based on religious, anti-Western utopias that claim to be able to better the modernized West at its own game by being purer and godlier.  

Being aware of the dangers of ideological tyrannies, and their capacity to block progress, does not negate the fact that there is another way in which elites can retard modernization as effectively. Corrupt political elites in such disparate places as Burma, Haiti, Zimbabwe, or Nigeria can keep their populations economically and politically backward, impoverished, and brutalized. For the time being ideologically motivated elites are rare, and outside the Islamic world, they have no coherent revolutionary model to inspire them. But even the most corrupt thugs in power can appeal to nationalism, and frequently do, to keep their societies from becoming free. In this respect they join hands with the most damaging ideological forms of anti-liberalism by claiming that national pride and honor demand alternative, non-Western forms of modernization.

Nor should we be overly optimistic about other forms of ideologically inspired tyranny. Dislike of modernization, of globalization, and of markets is still a powerful force, both among intellectuals throughout the world and among those who feel that they are the losers in the process of continuing modernization. New utopian dreams will undoubtedly recycle corporatist and Marxist dreams of the past, and new religious extremist utopias will emerge. These can and will block modernization in some societies, and turn them into dangerous, angry failures.

Looking at the future of South Korea, or at any other emerging modern economy and democracy, it is possible to see what kinds of dangers lurk around the corner. These dangers are not economic globalization, capitalist hegemony, Western culture, or any of the other aspects of change that have come with increasing liberalization of the world. The dangers are just the opposite: economic and cultural closure, the seizure of power by corrupt, undemocratic elites, the exploitation of nationalism to block liberal reforms, and the rise of anti-liberal utopian ideologies.

We know that it is possible for economies to develop quickly if they allow entrepreneurial freedom, remain open to competition, and insure both adequate property rights and a good infrastructure. Democracy is not required at first. We also know, however, that over time the temptation to corruption by elites is such that without democratic controls progress will eventually slow and be stifled. This is why countries like South Korea or China could prosper without much democracy for some time, but not indefinitely. Over time, not only does greater prosperity create more of a middle class that demands more democracy, but the need for that evolution increases.

Corrupt elites in Russia or Mexico, for example, could well bring democratization and economic progress to a halt in order to maintain their power. Even China's astonishing economic success could be destroyed because it is still run by a corrupt network of Party and military elites who use nationalism to
legitimize their continuing hold on power. No economy can prosper indefinitely simply on cheap labor, and no rapidly growing economy in today’s world can remain immune from the forces of liberal individualism, democracy, and free thought. China’s rulers will have to choose: either they will have to reform and become in some ways more like South Korea, or they can hold on to power and crush future opposition by trying to close China again.

Only a country that falls into the hands of a fundamentally illiberal elite and cannot extricate itself is in long run danger of failing in the modern world. Alas, there are many such places. Fortunately, it does not seem that South Korea is one of them. Unfortunately, North Korea is perhaps the worst example in the world.

References


