

Land Reform in South Korea

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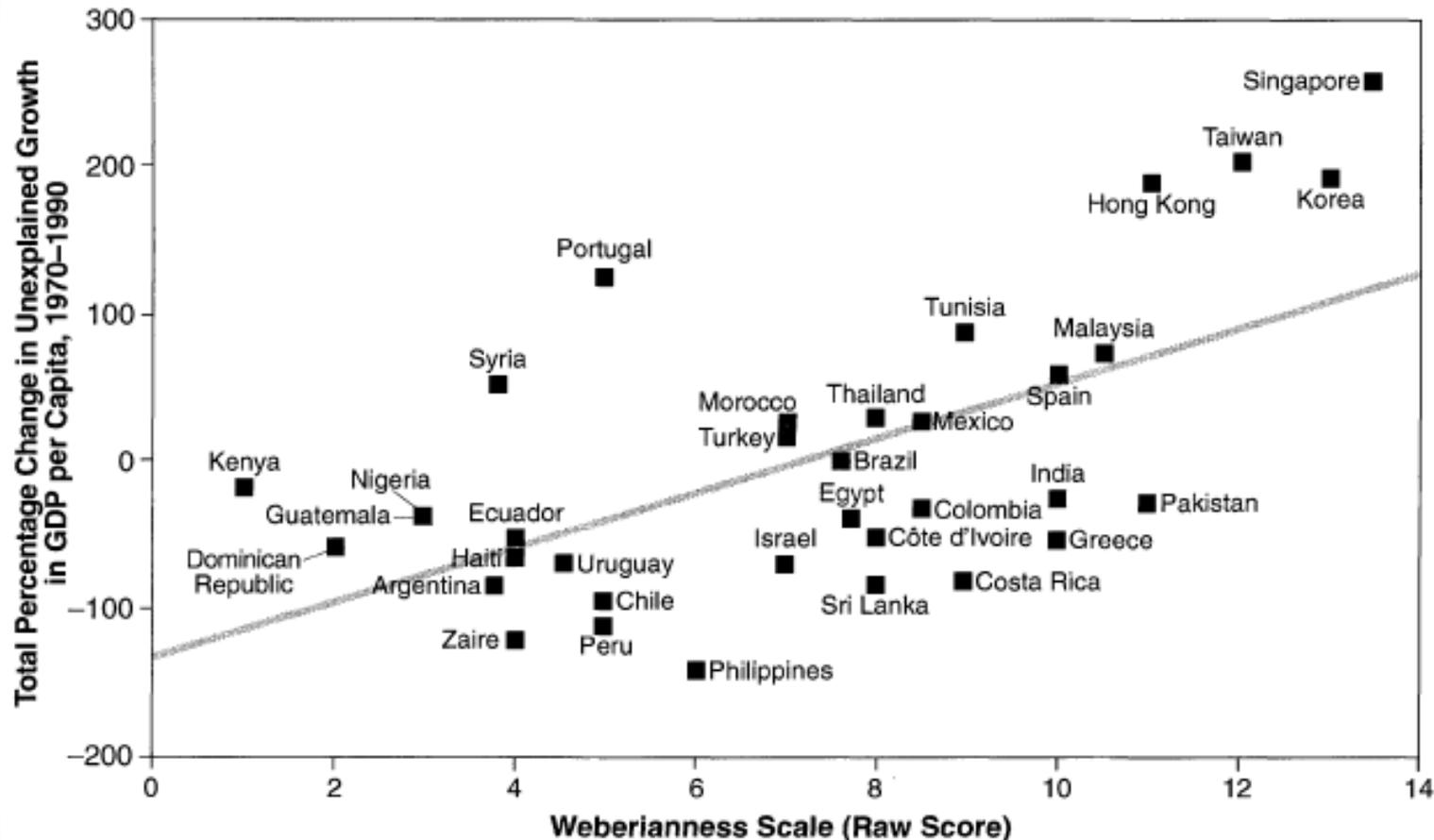
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What explains Korea's growth?

- Korea at the time of independence (1945): very poor & highly unequal
- The only case of a former aid-recipient turning into a donor country
- A rare case of achieving both economic development and democratic consolidation

- Explanations:
- Park Chung-hee's creation of a *developmental state* with a *meritocratic bureaucracy* (military coup in 1961)
- *Initial conditions*: Low inequality and relatively high education circa 1960 (Dani Rodrik 1995)
- ***Land reform (1948, 1950)***

Relationship between Weberianness & Unexplained Growth, 1970 to 1990



Note: Unexplained growth is that growth not explained by level of GDP in 1965 and years of school in 1965.

Source: Evans & Rauch (1999)

Rodrik (1995), “Initial conditions explain nearly 90% of subsequent growth in KOR & TWN”

Table 5. Growth regressions

Independent variables	Dependent variables			
	Per-capita GDP growth, 1960–85		Investment/GDP, 1960–85	
	(1)	(2)	(3)	(4)
Intercept	6.22* (4.69)	3.71* (3.86)	16.06* (2.64)	18.06* (4.32)
Per-capita GDP, 1960	−0.38* (−3.25)	−0.38* (−3.61)	0.94 (1.76)	0.49 (1.08)
Primary enrolment, 1960	2.66** (2.66)	3.85* (4.88)	11.01** (2.40)	14.11* (4.11)
Gini coeff. for land	−5.22* (−4.38)	−5.50* (−5.24)	−21.04* (−3.85)	−16.59* (−3.64)
Gini coeff. for income	−3.47 (−1.82)		14.44 (1.66)	
\bar{R}^2	0.53	0.53	0.43	0.50
Sample size	41	49	41	49

Comparing Korea, Taiwan, and the Philippines around 1950

- **KOR & TWN, poorer than PHL**
- **KOR & TWN, less educated than PHL**
- **KOR & TWN, no less unequal than PHL**
- **KOR, most unequal**

	Korea	Taiwan	Philippines
GDP per capita 1953 (2005 constant PPP \$)	1,586	1,243	1,730
Primary enrollment 1950 (%)	83	79	91
Secondary enrollment 1950 (%)	16	11	27
Tertiary enrollment 1950 (per 10,000 population)	18	9	88
Urban population 1950s (%)	18	-	15
Non-agricultural population 1950s (%)	30	-	29
Population 1950 (thousand)	20,846	7,981	21,131

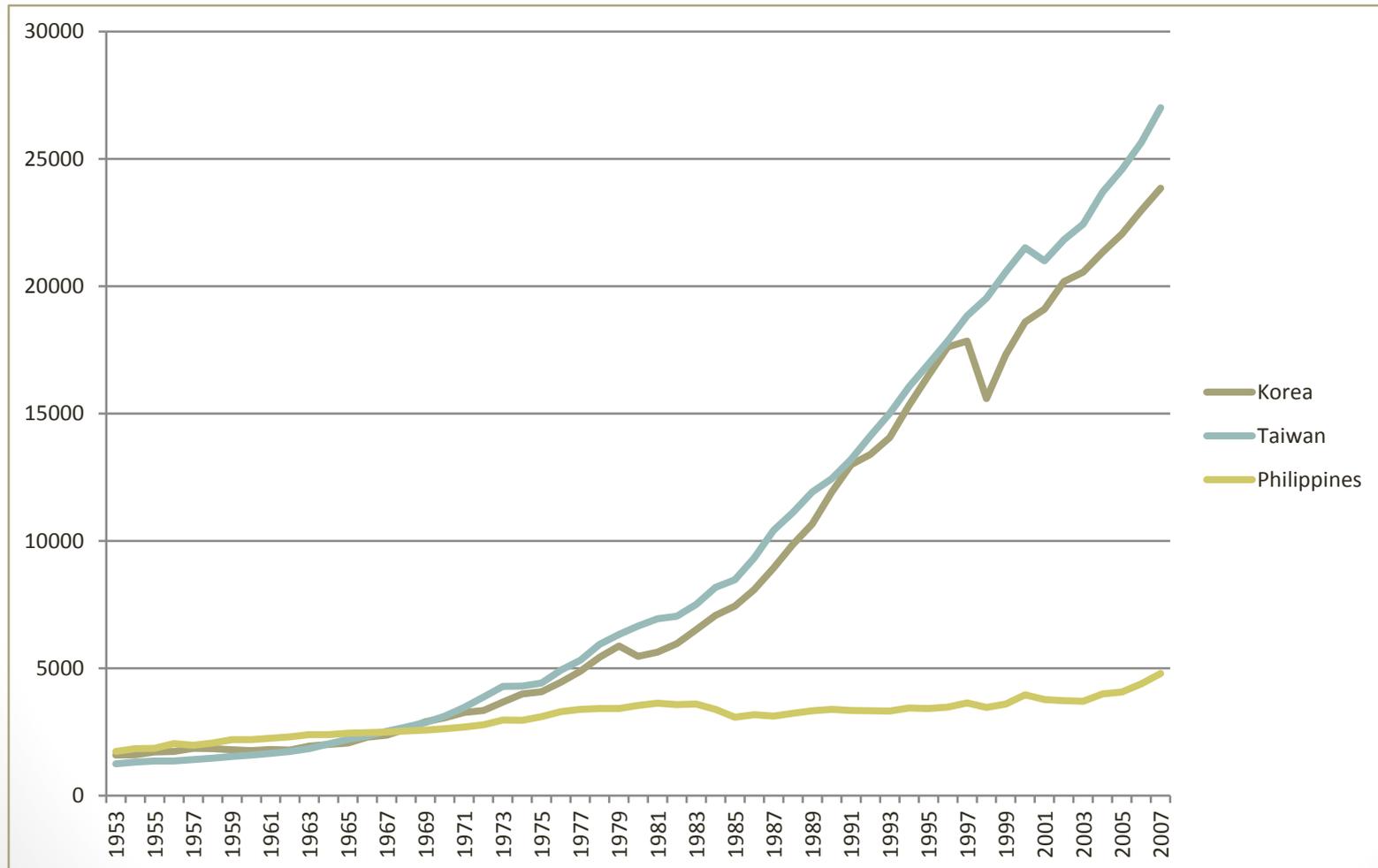
Trends of land gini

	Korea	Taiwan	Philippines
1945/50	0.73	0.58 - 0.62	0.58
c. 1960	0.38 - 0.39	0.39 - 0.46	0.52 - 0.53
c. 1990	0.37 - 0.39		0.55

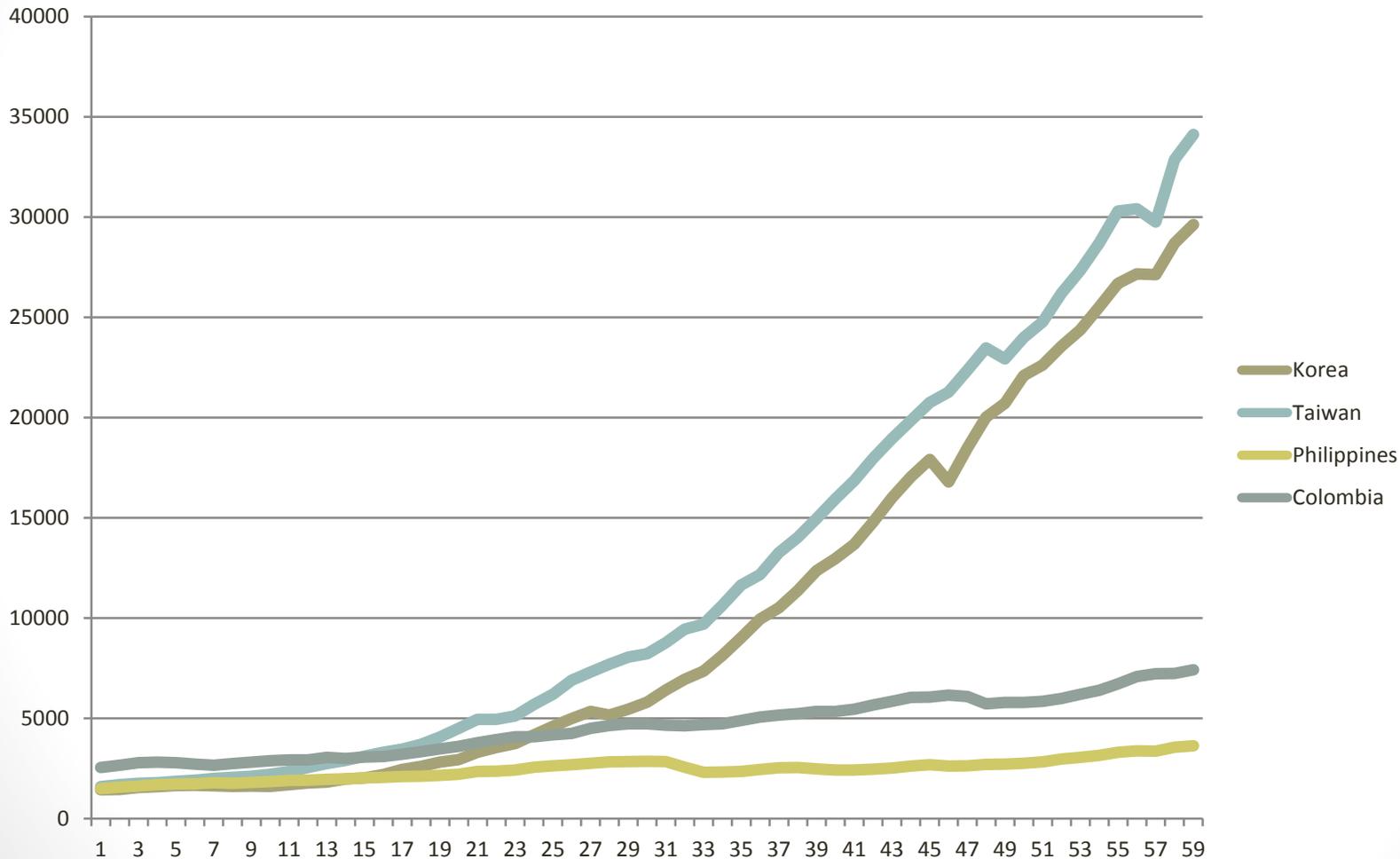
Sources: Ban et al. (1980), Taylor and Jodice (1983), and Frankema (2006)

Note: When there are multiple estimates, both the lower and the higher estimates are included.

Real GDP per capita of KOR, TWN & PHL, 1953-2007



Real GDP per capita of KOR, TWN, PHL & COL 1953-2010



Road map

- What changes in the distribution of land did KOR's land reform bring about?
- How did it happen?
- Why did it happen?
- The role of land reform in Korean development?
- Policy implications

Changes after land reform in KOR

- Before the reform: The richest 2.7 percent of rural households owned two thirds of all the cultivated lands, while 58 percent owned no land at all.
- By 1956, however, the top 6 percent owned only 18 percent of the cultivated lands.
- Tenancy dropped from 49 percent to 7 percent of all farming households, and the area of cultivated land under tenancy fell from 65 percent to 18 percent.
- Dissolution of the landed aristocracy
- Korean war (1950-53) further equalized the country.
- Top 1% income share: 20% → 7%

Owner-Tenant Distribution of Farm Households, 1945-1965

	1945	1947(end)	1964	1965
Full owner	13.8	16.5	71.6	69.5
Owner-Tenant	16.4	38.3	14.8	15.5
Tenant-Owner	18.2		8.4	8
Tenant	48.9	42.1	5.2	7
Farm laborer & burnt-field	2.7	3.1	-	-
Total	100	100	100	100

Source: Ban, Moon, and Perkins (1980, 286)

Land reform in Korea

- October 1945: American Military Government, rent reduction (1/3)
- 1946: Radical land reform in the North
- 1948: AMG redistributed 240,000 hectares of former Japanese land.

- July 1948: Land-to-the-tiller principle in the Constitution
- March 1950: Land Reform Act, signed into law.
- 1950-52: Redistribution of 330,000 hectares of farmland
- Retention limit: 3 hectares
- Buying price = selling price = 1.5 times the annual yield

- Voluntary sales of over 500,000 hectares (1948-1950).
- 52 percent of total cultivated land transferred ownership.

Causes of sweeping land reform in KOR

- Domestic politics:
 - Strong demand for land reform
- External factors:
 - Communist threat (North Korea)
 - US policy
- Legislative process:
 - Rhee was not a champion of land reform, but appointed Cho Bong-am (ex-communist) as Minister of Agriculture.
 - Even KDP (party of landlords) did not outrightly object to land reform.
 - Constitution: Land to the tiller, “in principle” (KDP) removed by vote
 - Land Reform Act: KDP tried to increase compensation, but was unsuccessful.

The role of land reform in Korean development

Land reform → Low inequality → Educational expansion → Meritocratic bureaucracy (gradual development);
Limited clientelism & state capture;
Democratization (1960 student revolution; 1987 democratic transition)

- **PHL: No land reform** → High inequality → Landed elite diversified into industry, finance, and politics → Clientelism & capture

More generally:

- The effects of inequality on corruption, terrorism, and economic development

'Concern about inequality has grown not only in the advanced industrial states but in the developing world as well. Those concerns are not just economic, but extend to the political arena: that democracy might be damaged by an unequal distribution of income and assets. In this forcefully-argued comparative study of Korea, Taiwan and the Philippines—backed by broader cross-national evidence—Jong-sung You shows how inequality contributes to corruption.'

STEPHAN HAGGARD, *University of California, San Diego*

'Professor You's important work argues that inequality fuels elite corruption and undermines state legitimacy. A key contribution to debates over corruption's impact on democracy, poverty, and growth, especially in Asia.'

SUSAN ROSE-ACKERMAN, *Yale University*

'The book makes a penetrating comparative analysis of how inequality and poverty shape corruption in South Korea, Taiwan, and the Philippines. Timely and relevant in theme, new and innovative in theoretical argument, and rich and informative in empirical research. Strongly recommended for students of comparative political economy and East Asian studies as well as policy-makers dealing with corruption and inequality.'

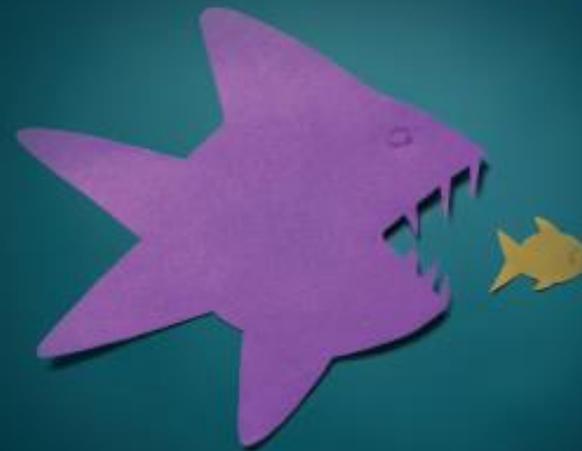
CHUNG-IN MOON, *Yonsei University*

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YOU
Democracy, Inequality and Corruption

Democracy, Inequality and Corruption

Korea, Taiwan and the Philippines Compared



JONG-SUNG YOU

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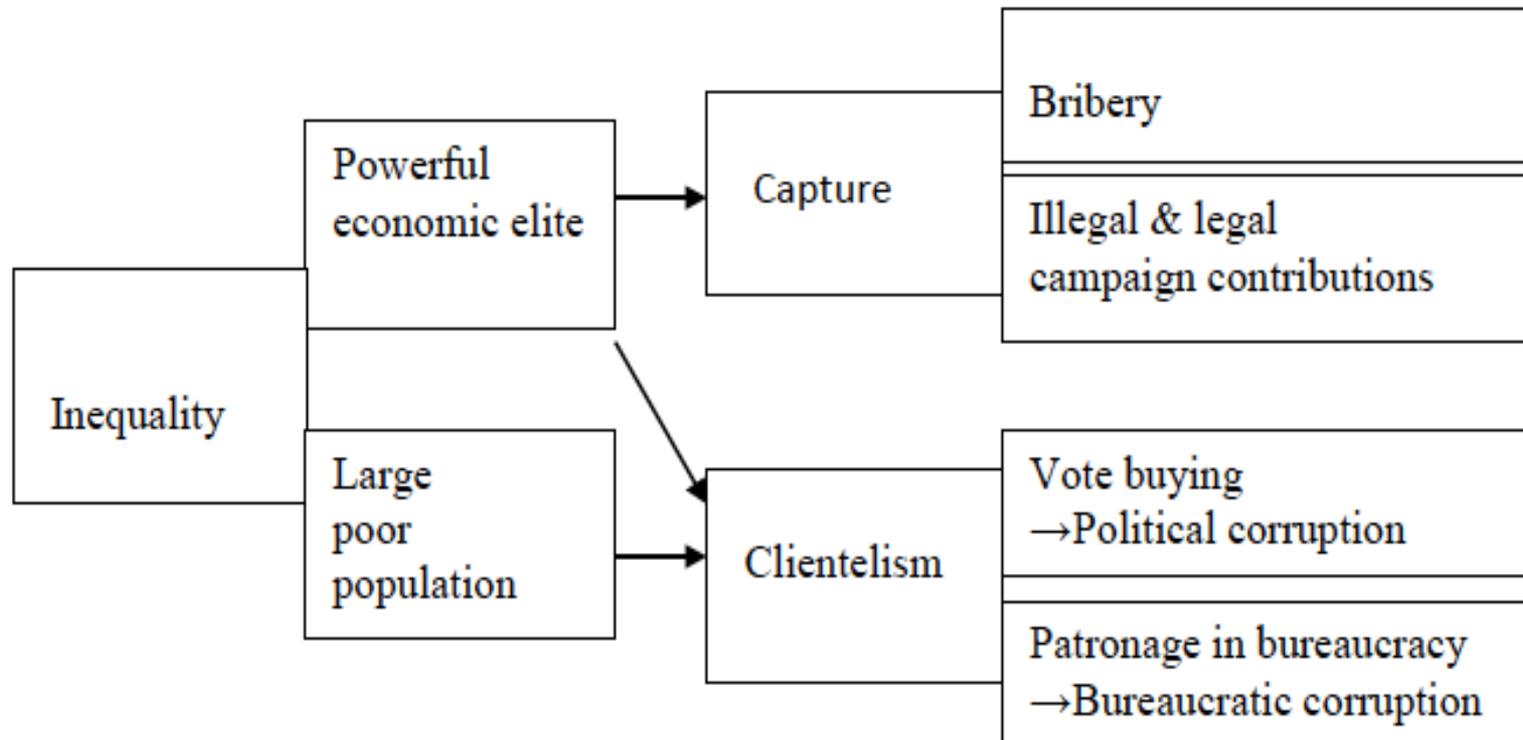


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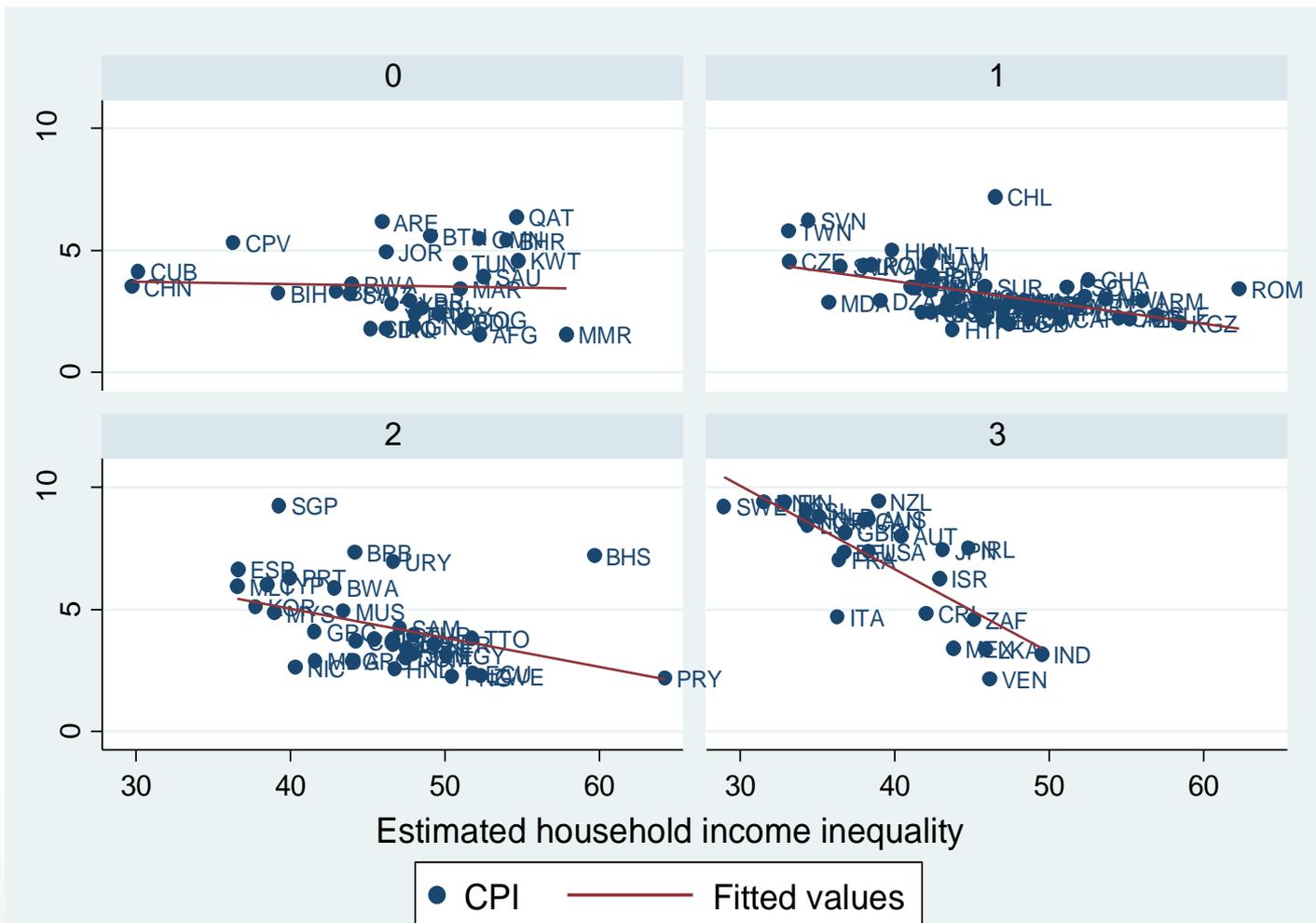
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Causal mechanisms linking inequality to corruption in electoral democracies



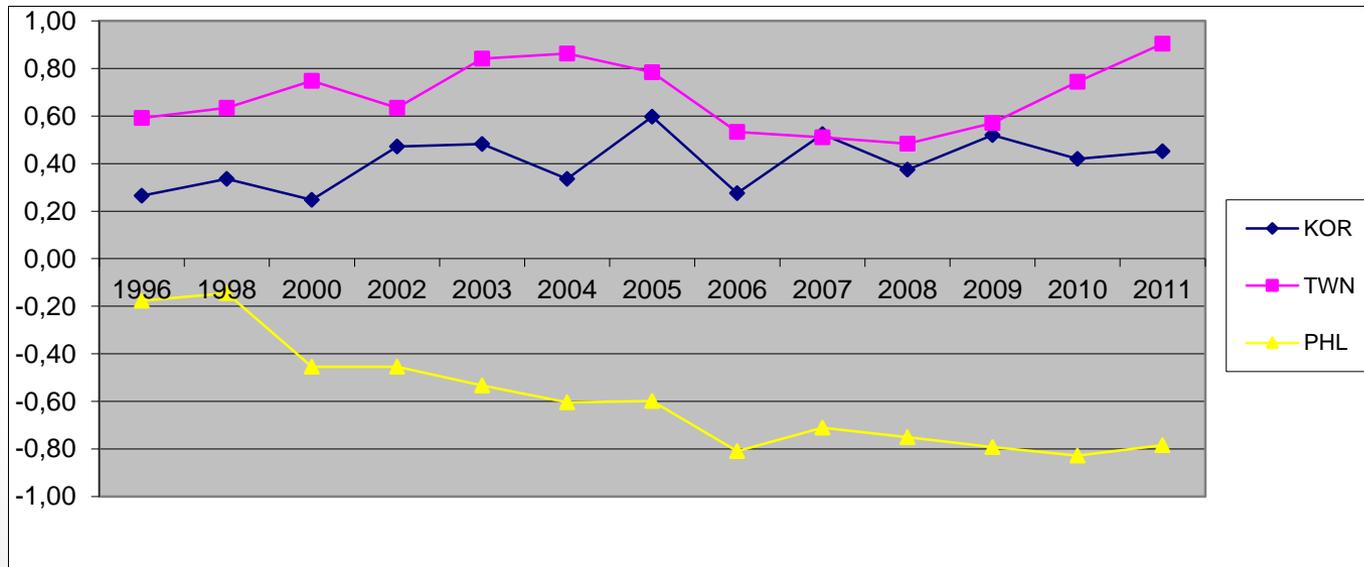
The association between inequality and corruption, by duration of democracy



Graphs by Duration_Electoral_Democracy

Corruption in KOR, TWN, PHL

- “Corruption is the biggest obstacle to business” (WEC 2003-11)
 - TWN 2.4%, KOR 5.6%, PHL 22.9%
- “My family members have bribed during the last year” (TI 2004-10)
 - TWN 3.3%, KOR 2.9%, PHL 17.5%
- TI’s historical CPI(1980-85)
 - TWN 6.0, KOR 3.9, PHL 1.0 (10 least corrupt; 0 most corrupt)
- Control of Corruption Indicator (KKM, World Bank Institute)



KOR & TWN: Development of professional bureaucracy

PHL: Increasing patronage

Modes of new recruitment at Grade III-B in Korea

Period	<i>Haengsi</i>	Special
1948-52	4.7	95.3
1953-59	48.3	51.7
1964	38.3	61.7
1965	35.6	64.4
1966-73	55.0	45.0
1977-79	65.2	34.8
1980-87	64.6	35.4
1988-95	70.4	29.6

* *Haengsi* refers to higher civil service examination.

Percentages of civil servants who entered via civil service examination:

TWN: 10.8% (1954) to 45.3% (1980)

PHL: 37.7% (older cohort) vs. 26.0% (younger cohort) in 1960

KOR & TWN: Declining bureaucratic corruption

PHL: Increasing bureaucratic corruption

Annual # of indicted officials on corruption charges in Korea

	Bribery	Embezzle	Sum	Ratio A*	Ratio B**
Rhee (48-60)***	60	152	211	36.8%	0.20%
Park (61-72)****	73	157	230	17.2%	0.12%
Park (73-79)	120	72	192	16.1%	0.06%
Chun (80-87)	116	43	159	14.3%	0.04%
Roh TW(88-92)	82	25	107	5.4%	0.02%
Kim YS(93-97)	319	111	430	5.1%	0.04%
Kim DJ(98-02)	350	86	436	5.4%	0.04%
Roh MH(03-07)	141	60	200	3.6%	0.02%

- Ratio A = # public officials indicted for corruption/ # public officials indicted for any crime.
- Ratio B = # public officials indicted for corruption/ # of people (officials plus civilians) indicted for any crime.

Summary findings from comparative historical analysis

- All three countries, similarly corrupt, poor & unequal.
 - Sweeping land reforms in KOR & TWN dissolved landed class and reduced inequality, limiting capture and clientelism
 - Rapid industrialization & economic growth with equity
 - Failed land reform in PHL maintained high inequality and dominance of the landed-industrial-financial conglomerates.
 - Slow growth & widespread poverty
 - *Chaebol*-centered industrialization in KOR increased *chaebol* dominance and concentration over time, increasing capture
 - Reform after 1997 financial crisis, but regression recently
- * Top 1% income share: 7% (until mid-1990s) → 12% (2011) → rising

Locating Colombia

	Korea	Taiwan	Philippines	Colombia
land gini 1960	0.32	0.39	0.52	0.82
family farms 1960	84		33	20
family farms 1980	93		58	25
net income gini 2012	0.31	0.31	0.43	0.48
Control of Corruption 2012	0.47	0.72	-0.58	-0.43
Bribery 2004-10	2.9%	3.3%	17.5%	11.1%
Impartial bureaucracy 2010	0.70	0.61	-0.73	-0.54
Professional bureaucracy 2010	5.05	4.42	3.71	2.87
Polity IV 2012	8	10	8	7
Real GDP pc 1953	1,441	1,597	1,502	2,669
Real GDP pc 2010	28,702	32,865	3,564	7,430

Lessons?

1. Korea broke the vicious circle of “high inequality, high corruption and low growth.”

-Land reform lay the foundations for political stability and economic development in KOR.

2. The role of the U.S.

-AMG’s first-stage reform (1948) and advice to Rhee government

3. Redistributive land reform:

- Land-to-the-tiller: family farming
- Low retention limit (3 hectares) & compensation at below-market price (1.5 times annual yield)
- Swift and democratic implementation: land reform committees, composed of landlords, tenants, and government official

Additional Slides

Conventional wisdom:

Patronage (Rhee) vs. Meritocracy (Park)

Table 3.4. *Pattern of Recruitment and Promotion of Higher Civil Servants under Rhee and Park (in percentages)*

Grade	1948–1960			Grade	1977–1979		
	<i>baengsi</i>	special	internal		<i>baengsi</i>	special	internal
I		63.9	36.1	I		34.5	65.5
II		52.9	47.1	II-A		6.8	93.2
				II-B		6.5	93.5
III-A		39.8	60.2	III-A		8.1	91.9
III-B	4.1	30.6	65.3	III-B	20.6	10.8	68.5

Source: Ministry of Government Affairs. Quoted in Byung-kook Kim, “Bringing and Managing Socioeconomic Change” (Ph.D. diss., Harvard University, 1988), p. 101.

- Need to compare *early Rhee, late Rhee, early Park, and late Park?*

Gradual development of meritocracy

Increasing proportion of *Haengsi* over time

Modes of new recruitment at Grade III-B:

- Early Park: Not more meritocratic -special appointments of the ex-military

	<i>Haengsi</i>	Special
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1977-79	65.2	34.8
1980-87	64.6	35.4
1988-95	70.4	29.6

Number of successful applicants in civil service exams in Korea

Year	Grade III-B	Grade IV-B	Grade V-B	Year	Grade III-B	Grade IV-B	Grade V-B
1949	5	32		1965	28	1033	6372
1950				1966	50	193	3418
1951	38	38		1967	24	214	10391
1952	16	61		1968	45	664	4673
1953	33	44		1969	55	509	3878
1954	13	87		1970	65	24	2863
1955	58	61		1971	188	58	2359
1956	11	56		1972	88	100	771
1957	7	18		1973	212		2037
1958	27	44		1974	115	205	4120
1959	36	54		1975	201	154	2723
1960	20	106	2066	1976	73	446	4651
1961	72	107	1643	1977	186	531	3975
1962	38	57	2413	1978	250	693	3992
1963	39	236	5535	1979	248	551	1365
1964	24	121	3014	1980	187	395	1473

KOR & TWN: Development of professional bureaucracy

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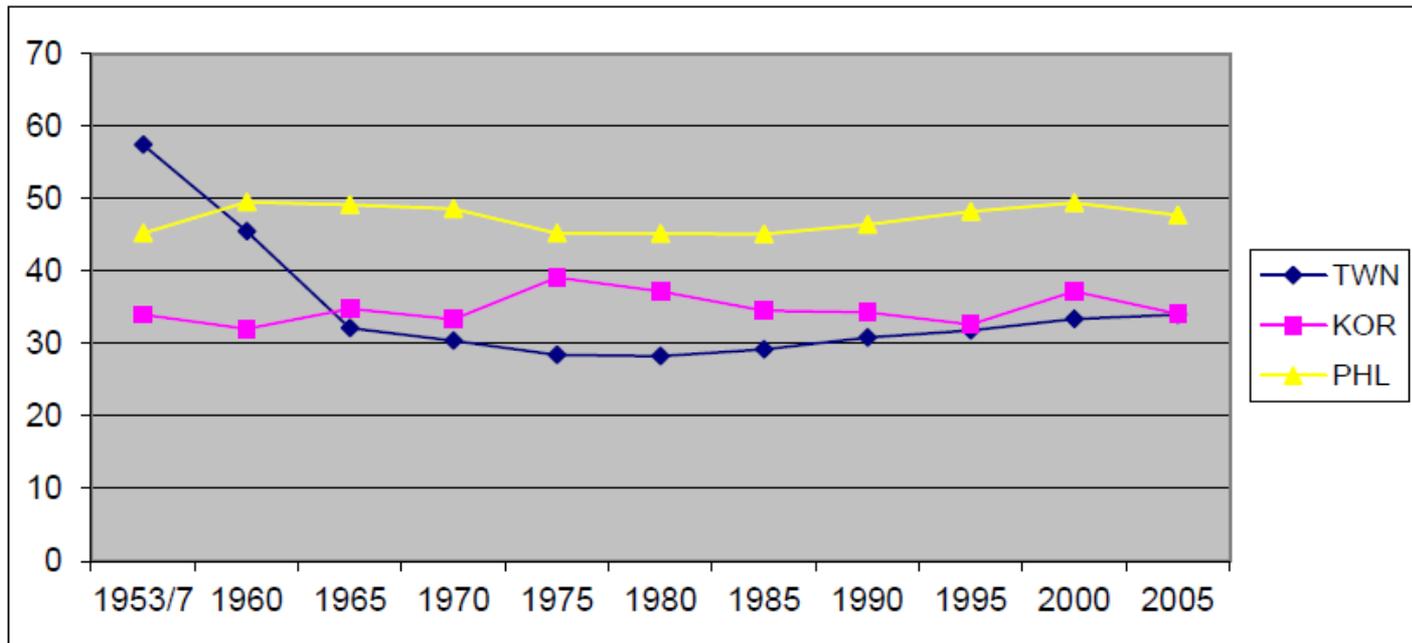
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Inequality → Corruption?

- Trends of income inequality (Gini index), 1953-2005



Source: UNU-WIDER World Income Inequality Database (version 2.0c), Korea National Statistical Office, Taiwan Statistical Bureau, and the Philippine National Statistical Office

- TWN & KOR: more unequal than PHL in the late 1940s
- Critical role of land reforms (circa 1950)