

The Role of Government in Economic Development: A Comparative Study between Bangladesh and South Korea

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Abstract

In East Asia the government of each country has played a decisive role in state development by engineering economic miracle. South Korea has dramatically been transforming its economy and managing development of the most important public and private enterprises since 1960s. South Korean government provided a favourable institutional framework by prioritizing industrial growth, within which the private sector could flourish. All these unique features are obviously the basis of Asian version of capitalism. The unique Asian variety of capitalism is mostly linked with the industrial policy debate where the government plays an active and paternal role in guiding the economy and society. This paper tries to explore the development strategies and economic policies adopted by the government of South Korea to ignite change in favour of radical economic transformation and its efficacious performance to create a sense of urgency to bring about a hospitable environment for growth and competitive advantage. Against this backdrop this paper also figures out the lessons to be learned by Bangladeshi Government from Korean experience to emulate and also to address the country's economic potentials in order to catch up the economy of the Asian Tigers.

Keywords: Balanced growth, unbalanced growth, Chaebols, Korean conglomerates, Administrative efficiency, Economic development.

1. Introduction

The role of government is the key to economic success in many countries of Asia. We cannot deny the fact that the performance of government in any country is crucial to bring about any changes for state development. In order for government to fulfil its role, it must continually transform itself within the bounding of the constitution to deliver on its mission within an environment that is more uncertain nowadays. Due to recent global trends and economic recession, macroeconomics is continually transforming the global landscape. This uncertainty is reflected in multiple sectors i.e. in the global economy, national economies, environmental protection, public healthcare and also in the quality of life. The unique Asian variety of capitalism, particularly in East Asia, is mostly linked with the industrial policy debate where governments are called to pay a supportive and paternal role in guiding the economy and society in general. The catch word “Asian value” is shortened in the context of Asian people, who work hard and cultivate strong family ties with tightly knot networks (Wender 1999, 3). The transformations have had a direct effect on the life of every citizen in countries like South Korea and Bangladesh as elsewhere.

Therefore, the state leaders must be seen within state governments as change leaders who can lead and facilitate organizational transformation efforts in support of and in coordination with the agenda of the state legislature and judiciary. In 1983 Korea dramatically changed the way it managed the largest and most important group of its public enterprises. The public sector reforms increased enterprise’s autonomy which changed managerial selection procedures and systematically evaluated performance by providing incentives for good performance. A central feature of the Korean reforms is the performance evaluation system, which sets clear targets for management and provides bonuses on the basis of outcomes. The system has four essential prerequisites for success such as: 1) parallel reforms to increase managerial autonomy and skills, 2) reliable and timely information 3) adequate skills to supervise and evaluate, and 4) political will (Shirley 1989, 23). In this study South Korean experience has been chosen for Bangladeshi government due to the fact that the economic situation and also the level of development of Korea in the 1960s are in common with Bangladesh’s current scenario. The government of Bangladesh can emulate the Korean model to ignite its economic potentiality. Thus the objectives of this paper are threefold; first, to understand what was the strategy of Korean government for development, second, to know the role of bureaucracy in planning and implementing development policy, third, to illustrate some lessons and implications for Bangladesh to be drawn from the Korean case

2. Literature Review and Research Methodology

There are many perspectives and arguments pertaining to organizational change. Many scholars argue that organizational change is an empirical observation in an organizational entity of variations in shape, quality or state over time (Van de Ven and Poole, 1995), after the deliberate introduction of new ways of thinking, acting and operating (Schalk, Campbell and Freese, 1998). Generally, the aim of organizational change is an adaptation to the environment (Barr, Stimpert and Huff, 1992; Child and Smith, 1987; Leana and Barry, 2000) or an improvement in performance (Boeker, 1997; Keck and Tushman, 1993). This definition

of the scholars encompasses many situations that should be distinguished by applying certain dimensions to establish 'typologies of change'. We will refer to the scope of change though a government as a state agency, because it is one of the most used variables in East Asian literature to design change typologies. That way, changes can be defined along a continuum starting in low scope or evolutionary changes to high-scope or strategic ones. With the aim of making the use of this dimension (*scope*) easier, we will describe both extremes of the continuum, but we should always keep in mind that real changes are not a pure type but a mixture. In this paper it is argued that real changes can occur though a mixture of government led unbalanced strategies which will create a change readiness to adopt balanced strategies later on.

We will describe evolutionary and incremental changes highlighting the concepts of balanced and unbalanced strategies. There are small changes that alter certain small aspects, looking for an improvement in the present situation, but keeping the general working framework (Blumenthal and Haspeslagh, 1994; Goodstein and Burke, 1991; Greiner, 1972; Levy, 1986; Mezas and Glynn, 1993; Nadler and Tushman, 1989; 1990). Other types of changes are associated with strategic, transformational, revolutionary or second order ones. They are radical transformations, where the organization totally changes its essential framework (Blumenthal and Haspeslagh, 1994; Ghoshal and Bartlett, 1996; Goodstein and Burke, 1991; Marshak, 1993; Nadler and Tushman, 1989, 1990), looking generally for a new competitive advantage (Hutt, Walker and Frankwick, 1995) and affecting the basic capabilities of the organization (Ruiz and Lorenzo, 1999). Once we have introduced the concepts of balanced and unbalanced strategies, we can entail a comparative study between South Korea and Bangladesh to ignite change through the performance of a government. On the other hand, resistance is a conduct that tries to keep the *status quo*, that is to say, resistance is equivalent to inertia, as the persistence to avoid change (Maurer, 1996; Rumelt, 1995; Zaltman and Duncan, 1977). So, inertia and thus resistance are not negative concepts in general, since change is not inherently beneficial for organizations. Even more, resistance could show change managers certain aspects that are not properly considered in the change process (Waddell and Sohal, 1998). Resistance to change is an essential factor to be considered in any change process, since a proper management of resistance is the key for change success or failure. By resistance to change we understand any phenomenon that hinders the process at its beginning or its development, aiming to keep the current situation. Therefore, there is a similarity between the concepts of resistance and inertia.

Literature offers many studies with sources of resistance to change (Rumelt, 1995). Eventually, resistance is a phenomenon that affects the change process, delaying or slowing down its beginning, obstructing or hindering its implementation, and increasing its costs (Ansoff, 1990). It has happened in South Korea at the beginning of the government led change management process in the 1970s and also it can be observed in case of Bangladesh. South Korea has been successful to manage resistance to change which is an essential factor to be considered in any change process. Thus, this paper argues that a proper management of resistance by Korean government is the key for change success and here lies the lessons for Bangladesh to emulate Korean experience to ignite change in the country though an active

and supportive government.

As for the research methodology, the study used a content analysis and interview methodologies for assessing the role of government for state development through the change management by comparing South Korean experience with Bangladeshi case. Based on this content analysis method, this study examines policy making process, development framework, functions and powers, vision and mission, strategic plan, operational framework and role of the government in both Bangladesh and South Korea. Comparative analysis of institutional efforts to combat corruption is also made. Relevant books, documents, reports, articles and internet resources are reviewed and analyzed for this purpose.

This work has also been dependent on data collected from different sources. It collected information from the government officials of Bangladesh and South Korea and from other stakeholders and experts through in-depth interviews on the basis of random sampling. Interviews have been conducted by personally visiting relevant government officials and persons concerned and discussed with them on various issues relevant to this research. These interviews helped to understand various aspects of the role of government, which are not publicly available. Interviews have been conducted in both Seoul and Dhaka from November 2008 to March 2009. Thus, this study extensively conducted interviews with the government officials of Bangladesh and South Korean for getting first-hand information collected from various secondary sources. This had not only helped to check the information and analysis, but also provided sound knowledge for recommendation. Interviews were conducted with the officials of the Ministry of Establishment in Dhaka, who are in charge of the career development of the public servants and administrative reforms of Bangladesh. Some professors of the Dhaka University belonging to the department of Public Administration and International Relations were also interviewed. The officials of the Foreign Ministry and Ministry of Human Resource Development in Seoul as well as professors of Korea University were interviewed from October to November 2008.

Brief background information was given to the interviewees about the main objective of the research. In total, 105 respondents were interviewed from both Bangladesh and South Korea. The open ended questions were asked to the respondents which can be grouped into major areas such as cooperation between the public and private sectors, quality of bureaucracy, rule of law, corruption and political stability. This field survey was aimed at soliciting feedback and information from the respondents on the role of government that they experience practically while discharging their duties on behalf of the government in their respective areas. Specifically, information on the issues and concerns mentioned above were collected and analyzed carefully in this study: Apparently, most of the arguments and recommendations of this study have been drawn from both the secondary and primary data collected in Seoul and Dhaka.

3. Key Concepts and Theoretical Clarification

The role of government in state development can be explained in various ways. However, this paper focuses on two concepts or contending views on state development to ignite state-led change such as the concepts of balanced and unbalanced strategies. Balanced Strategy

explains that all sub-social systems should be developed simultaneously. On the other hand, unbalanced strategy indicates that administrative system should be developed first and it would lead to the development of other sub-system because most underdeveloped nations lack resources and capacities. Both the balanced and unbalanced strategies are considered as the key concepts of change management¹ in this paper.

Two Contending Views on State Development: Balanced and Unbalanced Strategies

In the era of the Cold War, United States of America had provided diverse resources to developing countries in order to maintain the status of superpower while competing with USSR. American government encouraged their scholars to study political and social systems of developing countries in order to find effective ways of helping those countries. As a result of those studies, two contending views emerged on the development of developing countries. These are balanced strategy and unbalanced strategy. Both the strategies with regard to growth are discussed below.

Balanced Growth Strategy:

Balanced growth strategy is the investment policy on which the investment should be made simultaneously in all the sectors of economics. According to P. A. Samuelson (Samuelson 1955, 21) “Balanced growth implies growth in every kind of capital stock”. According to Benjamin Higgins (Higgins 1957, 42) “A wave of capital investment in number of industries is called balanced growth”. Similarly, according to UNO “Balanced growth refers to full employment, a high level of investment, overall growth in productive capacity equilibrium”.

In addition, in most political economy theories, Latin American countries have focused on the import substitution policy (ISP), while Korea and Japan have focused on the export promotion policy (EPP). The South Korean government devised an open-door, export promotion policy in the 1960s and 1970s which provided incentives to businesses, financial as well as non-pecuniary, to encourage investment in export-goods industries. It created a favourable social atmosphere, even giving prestigious awards in which contributions to exports were lauded as something good for society and even patriotic. The Korean government also attempted to reduce the opportunity costs of export activities. It provided information about markets abroad and helped to find new business opportunities, modelled after the Japanese.

Unbalanced Growth Strategy:

Hirschman (1958), Singer (1950), Fleming (1962) etc., have recommended the strategy of unbalanced growth as an alternative to the balanced growth. It is opposite of the doctrine of balanced growth on which the investment should be made in selected sectors rather than simultaneously in all sectors of the economy.

4. The Unbalanced Growth Theory

This emphasizes on few selected sectors’ or industries’ investment for the rapid development so that the acquiring economies from one sector can be utilized for the development of other sector and eventually the economy gradually moves a head from the path of unbalanced growth to that of balanced growth.

Increased production was the main goal in 1946-1950 in Japan. Law (Adjustment of the supply and demand of goods temporary Act) was enacted to empower the government to allocate important goods. Resources were allocated preferentially to five industries: coal, iron and steel, marine transportation, chemical fertilizers, and electricity. Reconstruction Finance Bank was established to supply industrial funds. Towards an industrialized country 1950-55, the Industrial Rationalization Council was established under the guidance of Ministry of Trade and Industries (MIIT) to build consensus on measures to be taken among government, private sector and labour (Johnson, 1982). The following targets were authorized: a) Adoption of more efficient production equipment, b) Increase in production capacity c) Promotion of exports, d) Development of modern industrial technology, e) Strengthening of small and medium-sized firms.

The unbalanced growth strategy is concerned with the allotment of resources rationally in leading sectors. Contrary to the theory of balanced growth, in Hirschman's opinion, the real bottleneck is not the shortage of capital, but lack of entrepreneurial abilities. Potential entrepreneurs are hindered in their decision-making by institutional factors: either group considerations play a -great role and hinder the potential entrepreneur, or entrepreneurs aim at personal gains at the cost of others and are thus equally detrimental to development. In view of the lack of entrepreneurial abilities there is a need for a mechanism of incentive and pressure which will automatically result in the required decisions.

According to Hirschman (Hirschman, 1958), not a balanced growth should be aimed at, but rather existing imbalances— whose symptoms are profit and losses—must be maintained. Investments should not be spread evenly but concentrated in such projects in which they cause additional investments because of their backward and forward linkages without being too demanding on entrepreneurial abilities.

5. Unbalanced Strategies and Readiness for Balanced Strategies

After looking into both strategies, the unbalanced growth strategy is better for developing countries like Bangladesh. The prioritized and sectoral investment should be made first rather the overburden investment in all sectors. Development is a gradual process. If one country gets succeed in one sector then only it becomes capable enough to invest in other sectors and consequently the investment can be done one by one in all sectors in the long run. Further, the developing countries' main lacking is that they do not have sufficient capital to invest in all sectors at once. They are not capable of developing different sectors simultaneously due to shortage of resources and many factors. Therefore, investment should be made in leading sector of the economy deliberately. Besides, in developing countries, poverty is rampant and to cope with many problems, the countries have to rely on foreign aid.

Under these circumstances, how can the developing countries like Bangladesh assume to invest their tiny capital (mainly borrowed from foreign countries) in all sectors for the economic growth? So, balanced growth strategy's investment in all sectors simultaneously is beyond the capabilities of developing countries such as Bangladesh. Besides, the balanced growth strategy talks a lot about balanced regional development, division of labor, possibilities of innovation and researches, creation of social capital, wide extent of market,

better use of resources, less dependence on foreigners and stability of prices but these things are only possible when the country is developed and there is no dearth of capital investment in all sectors.

So, only a zero-aid-need and developed country can apply the principle of balanced growth strategy. Korea is now having rapid economic growth and it can apply the balanced principal of growth strategy. The government played the pivotal role for such balanced strategies. As suggested by Hirschman (Hirschman 1958, 32), unbalanced growth strategy is directed towards the skill formation opportunity via investment. So the strategy is most appropriate to the developing countries such as current Bangladesh, the situation of which can be said about Korea in 1960s. The unbalanced strategy is practical in real sense as it is primarily concerned with the leading sector's investment. Moreover its motive is intended towards the development phenomena.

Furthermore, the unbalanced growth strategy is level-headed towards developing countries' developments rather creating overstrain tension of all sectors' simultaneous investments. Because, it is based on the ground reality on which better utilization of available resources and advantages of specialization in the concept of competitive cost trend mechanism is possible. Unbalanced growth of the regional growth process is essentially unbalanced. Myrdal's (Myrdal, 1987), circular theory and cumulative theory of Hirschman are notable in this regard. When the unbalanced strategies ignite changes towards positive development, it can create readiness for the Bangladeshi government to adopt a balanced growth strategy like South Korea.

6. Steady and Continual Change in South Korea

Economic programs were based on a series of five-year plans that began in 1962. The First Five-Year Economic Development Plan (1962-66) consisted of initial steps toward the building of a self-sufficient industrial structure that was neither consumption oriented nor over-dependent on oil. Such areas as electrification, fertilizers, oil refining, synthetic fibers, and cement were emphasized (Adelman, 1969). The Second Five-Year Economic Development Plan (1967- 71) stressed modernizing the industrial structure and rapidly building import-substitution industries, including steel, machinery, and chemical industries.

The Third Five-Year Economic Development Plan (1972-76) achieved rapid progress in building an export-oriented structure by promoting heavy and chemical industries. Industries receiving particular attention included iron and steel, transport machinery, household electronics, shipbuilding, and petrochemicals. The developers of heavy and chemical industries sought to supply new industries with raw materials and capital. New (and critical) industries were to be constructed in the southern part of the peninsula, far from the border with North Korea, thus encouraging economic development and industrialization outside the Seoul area and providing new employment opportunities for residents of the less developed areas. Different five-year economic Development Plans in the 1960 and 1970s fostered the development of industries.

7. Korea: the Miracle of the Han River

In 1950s, Republic of Korea was the poorest countries in the world. Right after the independence from the Japanese Colonial system, Republic of Korea had to be involved in the Korean War for 3 years. The Korean War destructed almost all industrial base of the country. Per Capita GNP of the Republic of Korea was the only \$79 in 1960. Korean economy was dependent upon foreign assistance and subsidies. However, Per Capita GNP of the Republic of Korea in 2008 was \$18,000 and its economic volume ranked at 12th in the world. The economic development of Korea is known as the Miracle of the Han River and has been recognized as one of the model case for many developing countries.

"Miracle on the Han River" refers to the period of rapid economic growth, industrialization, technological achievement, urbanization, modernization and successful democratization that took place in South Korea beginning from the first Five-year plan in 1962 to the 1997 Asian financial crisis. This period is sometimes extended to the present as a result of the country's strong rebound in 1999-2000 and continued rapid growth in the 21st century.

The phrase is often used to describe South Korea's "overnight" transformation from the ashes of the Korean War to a wealthy developed country, and an increasingly influential economic power with the rise of global multinationals such as Samsung, LG and Hyundai-Kia in the 21st century, despite being a geographically small country. The phrase comes from the "Miracle on the Rhine", which is used to describe the economic rebirth of West Germany after World War II, resulting partially from the Marshall Plan. It is considered by many Koreans as a symbol of national pride and "can-do" spirit (Akaba, 1998). What made the Korea achieve such an incredible development? What was the development strategy of Korea for the past 50 years? What were the key factors to the successful development? The answers to these questions are as follows.

8. Strong Leadership with the Projection of Vision

This section focuses on "unique" aspects of Korea's transformation, a form of capitalist modernity that was "original on its own terms." The rapid industrialization of Korea was not a "miracle," however; it was a feature of many other states in East Asia. Korea's economic development has primarily been the result of political stability and state stability, economic leadership coupled with several factors, i.e. the emergence of the *chaebôl* (state supported business conglomerates), strong policy implementation, "national characteristics (Hard working, Family orientation, Education fever)," a compact geography, lack of natural resources and a Confucian cultural heritage.

State's role in development is very significant in Korea, as Steven Hugh Lee analyzes US-Korea relations during the period from 1958 to 1961 and David Kang examines Korea as a developmental state in relation to its society. In 1961 General Park Chung Hee overthrew the popularly elected regime of Prime Minister Chang Myon. A nationalist, Park wanted to transform South Korea from a backward agricultural nation into a modern industrial nation that would provide a decent way of life for its citizens while at the same time defending itself from outside aggression (Cho, 1996). Lacking the anti-Japanese nationalist credentials of

Syngman Rhee, for example, Park sought both legitimacy for his regime and greater independence for South Korea in a vigorous program of economic development that would transform the country from an agricultural backwater into a modern industrial nation.

The Park administration decided that the central government must play the key role in economic development because no other South Korean institution had the capacity or resources to direct such drastic change in a short time. The resulting economic system incorporated elements of both state capitalism and free enterprise. The economy was dominated by a group of large private conglomerates, known as *chaebol*, and also was supported by a significant number of public corporations in such areas as iron and steel, utilities, Fertilizers, chemicals, and other heavy industries.

9. Economy Focused Development Strategy: Export Driven Policy in Korea

In the 1960s the Korean government guided private industry through a series of export and production targets utilizing the control of credit, informal means of pressure and persuasion, and traditional monetary and fiscal policies. South Korean bureaucracy worked closely with the state in formulating economic policy and thereby shaped the country's capitalist modernity. Korean development of the 1950s and 1960s set the pattern for a top-down direction of economic development at the expense of political freedom.

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The government guided private industry through the strategies such as a series of export and production targets utilizing the control of credit and also Informal means of pressure and persuasion, and traditional monetary and fiscal policies. The export-led program took off in the 1960s; during the 1970s, some estimates indicate, Korea had the world's most productive economy. The annual industrial production growth rate was about 25 percent; there was a fivefold increase in the GNP from 1965 to 1978. In the mid-1970s, exports increased by an average of 45 percent a year. The most significant factor in rapid industrialization was the adoption of an outward-looking strategy in the early 1960s. This strategy was particularly well suited to that time because of South Korea's poor natural resource endowment high savings rate tiny domestic market (Cole and Lyman, 1971).

The strategy promoted economic growth through labour-intensive manufactured exports, in which South Korea could develop a competitive advantage. Government initiatives played an important role in this process. The inflow of foreign capital was greatly encouraged to supplement the shortage of domestic savings. These efforts enabled South Korea to achieve rapid growth in exports and subsequent increases in income (Cho, 1996).

By emphasizing the industrial sector, export-oriented strategy left the rural sector relatively

underdeveloped. Increasing income disparity between the industrial and agricultural sectors became a serious problem by the 1970s and remained a problem, despite government efforts to raise farm income and improve rural living standards.

Policy planners selected a group of strategic industries including electronics, shipbuilding and automobiles. New industries were nurtured by making the importation of such goods difficult. When the new industry was on its feet, the government worked to create good conditions for its export. Incentives for exports included a reduction of corporate and private income taxes for exporters, tariff exemptions for raw materials imported for export production, business tax exemptions, and accelerated depreciation allowances.

10. Pivotal Role of the Government's Bureaucracy: Planner and Implementer

The main mechanism for economic development was government-led industrialization. Realizing the fact that Korea is a country of rare natural resources and abundant educated manpower, the newly-installed military government, led by President Park Chung-hee, pursued a labour-intensive and export-oriented industrialization. For this, the government allowed labour exploitation by banning labour unions, encouraged production of consumer goods, and built infrastructure, such as highways. Despite strong oppositions, President Park dictated an industrial policy to strategically develop heavy and chemical industries in the 1970s (Ha 2006, 35).

The type of authoritarian leadership is often acknowledged as a key driving factor in Korea's economic development. President Park not only quelled opposition voices, he also successfully mobilized public support for the drive of export strategy or economic growth. In recent years, many comparative studies on East Asian development list the Confucian tradition as one of the key elements in the economic miracle. It includes various factors i.e. centralized authoritarian bureaucracy, Emphasis on worldly success, High valuation of learning, A universal principle in recruiting government officials, These cultural elements still prevail in Korean Society and guide the behaviour of Korean people.

The state-initiated economic drive contributed to the creation of *Chaebol* groups, or business conglomerates, although their role in economic development is greatly disputed. *Chaebols* played a key role in the building of heavy industries such as car manufacturing and ship building, in export promotion, and in the creation of jobs. On the other hand, their expansionist, nepotistic, and monopolistic management stifled the nurturing of professional managers, the growth of small- and medium-sized enterprises, and the equitable distribution of wealth. The military government in the 1960s was strongly driven by growth target. The government set the goal of attaining 7.1 percent of annual growth rate for the First Five-Year Plan (hereafter the First Plan). When the military government, therefore, set the goal of 7.1 percent, with minus growth for 1961 anticipated, it was to show its strong willingness to development (SCNR 1961; EPB, 1962, p. 19). In order to achieve the target, industrialization policy employed by the military government can be divided into two parts (Ha, 2006); First one was for light industry that made certain growth through import substitution industrialization in the 1950s; Second one was for heavy chemical industry that mostly depended on imports because the production facilities were not enough to meet the domestic

demands. In light industry, the most important task was to secure a market to sell goods.

The early military government tried to solve the problem of limited market by expanding the domestic market and accordingly put great emphasis on agricultural development. That is, it planned the growth of light industry in the cycle of "growth of agricultural productivity. It also increased farmers' income-and expanded the domestic market as well as the growth of light industry"(EPB 1962, p. 15). However, it was the growth policy of heavy chemical industry that the military government valued most. The military government based the growth of light industry on "the principles of free companies to respect the freedom and creativity of private companies" and "directly intervened in heavy chemical industry or indirectly induced it"(EPB 1962, p. 16).

11. Performance-Oriented Officials and Coordination of Export Policies

Under the administration-dominant policy decision system, the president's presence at the EMEP had great significance. It's widely known that the president put enormous emphasis on export as a means of economic growth. For instance, at the January meeting of 1972, he emphasized "The only way for our survival is exporting" (The Office of the Presidential Security 1972). By attending the meetings every month with an idea that "Exporting is the way for us to live," the president sent out a loud and clear signal that export was extremely important to officials and private companies.

According to the audio records of the meetings in 1972, the meeting had some regular patterns. The meetings would usually follow the order of commendation of merit in export, presentation of the ministers of the Ministry of Commerce and Industry on the basis of the reports prepared by the Commerce and Industry Ministry and Ministry of Foreign Affairs. All these also took considerations of the suggestions of corporations (representation's presentation), and also of the president's instruction. The reports of the Commerce and Industry Ministry and Ministry of Foreign Affairs were directly related to the export policies. This indicates that the EMEP were run around the reports of the two ministries.

The Korea Institute of Science and Technology (KIST) is a multi-disciplinary research institute located in Seoul. Founded in 1966, it was the first multi-disciplinary scientific research institute in Korea and has contributed significantly to the economic development of the country, particularly during the years of accelerated growth in the 1970's.

The Korean Central Intelligence Agency (KCIA) was created in June 1961 to prevent a coup and to suppress all potential enemies (Cole, D. and P. Lyman, 1971). Most workers with higher education qualifications were absorbed by the rapidly growing industrial and commercial sectors, joining the ranks of the growing middle class. Rural villages also underwent changes of revolutionary proportions, particularly after 1971. The Saemaul Movement was instituted with great fanfare by Park in the fall of 1971. The movement was envisioned as a highly organized, intensively administered campaign to improve the "environment" quality of rural life through projects undertaken by the villagers themselves with government assistance. The bureaucracy, particularly at the regional and local levels, was mobilized on a massive scale to ensure that the program would be carried through to

completion in all 36,000 villages (Ha, 2006). The initial emphasis was on improving village roads and bridges and replacing thatch with tile or composition roofs.

The momentum was maintained and increased in subsequent years as the Saemaul Movement evolved into a major ideological campaign aimed at the psychological mobilization of the entire country in support of "nation building." During the first two or three years, emphasis continued to be on improving the village environment, but later focus was shifted toward projects designed to raise agricultural productivity and farm income.

12. Education and Manpower

When the military took over the government in 1961, military leaders announced that they would educate people, eradicate the corruption that had plagued the Rhee administration and eliminate injustice from society. South Korea chose an export-led industrialization strategy to produce labour-intensive products (Ha, 2006).

South Korea had taken initiatives in the 1960s to develop its education and human resources. First, it had permitted a rapid expansion in educational system; second, it allowed the development of academic education; second, it pursued a relatively high tuition policy for higher education.

While undertaking interviews of the Korean government officials, they were of the opinions that political dynamics, rather than economic efficiency considerations, explain the divergent choices in the educational reforms of South Korea. In the 1960s, the education and training of technology and developing manpower had been led by the government of Korea. Political, economic, and social changes in Korea since the 1960s are particularly remarkable. Therefore, these processes are important human-resource functions in all sectors and continued business growth at that time called for additional manpower every year. In the 1960s and 1970s, education zeal was heated gradually under the Ministry of Education strategies.

Since the execution of the 1st National Economic Development Plan in the early 1960s, the South Korean government has regarded higher education as a prime motivator for the extension of national power as well as for the promotion of national industrialization. On the other hand, the South Korean people have viewed higher education as a valuable means for the enhancement of their social position and as an instrument for the improvement of their economic benefit.

Between 1965 and 1996, the average annual growth rate of gross national income (GNI) reached about 8%, and GNI per capita increased from 105 to 11,380 us dollars (National Statistical Office, 1999). South Korean higher education was actively expanded in order to support human resources as a part of several national economic development plans from the 1960s to the 1970s. In particular, vocational education was encouraged to foster skilled workers and technical manpower in the labour market. The demand of high-tech manpower has increased because of the diversity of industrial structure and the change of social structure (Amsden, 1989).

Universal Primary education became the base of manpower development for economy to

take-off in Korea in 1960's. Korea started in the early 1960s as a typical labor-surplus economy with a scarce resource (Lim, 2000). As a result, by 1965 Korea's human resource development had exceeded the norm for a country (Amsden, 1989). Korea's reverse brain drain (RBD) has been an organized government effort, rather than a spontaneous social phenomenon, in that various policies and the political support of President Park, Chung-Hee were instrumental in laying the ground work for its success. Particular features of Korea's RBD policies are the creation of a conducive domestic environment i.e. government-sponsored strategic R & D institution-building, legal and administrative reforms), and importantly, the empowerment of returnees (via, i.e., exceptionally good material benefits, guarantees of research autonomy).

President Park played the cardinal role in empowering repatriates at the expense of his own civil bureaucracy, and his capacity for such patronage derived from Korea's bureaucratic-authoritarian political system. Returning scientists and engineers directly benefited from this political system as well as Park's personal guardianship (Lim, 2000). For Park, empowerment of returning "brains" was necessary to accomplish his national industrialization plan, thereby enhancing his political legitimacy in domestic politics. An alliance with the R & D cadre was functionally necessary to successfully consolidate strong presidential power and politically non-threatening due to the particular form of "pact of domination" in Korea's power structure.

13. Comparison and Contrast of Bangladesh and South Korea

Why should Bangladesh care about change management and organizational transformation of South Korea and learn lessons from this experience? First, there is an immediate opportunity facing states with the transitioning processes now underway. Second, as Bill Eggers had presented in the November 2006, issue of *Governing and Managing Insights*, if change is going to happen, it is most likely to occur at the state level. According to Eggers – a rare opportunity now presents itself. He recommends that states should not reform – rather *transform* – in order to address major problems. In the context of Bangladesh, transformation is necessary to address issues such as: poverty reduction, a good education system and infrastructure, healthcare, Millennium development goals (MDGs), family planning, globalization, global economic recession.

The government of Bangladesh is facing a number of challenges due to dramatic changes in its neighbouring countries and also is being influenced by the rapid shifts in global affairs. The government needs to do more with changing expectations from citizenry and more collaborative relationships with non-state actors. Change is the norm and its velocity is increasing elsewhere especially in South Korea, Japan and in other Southeast Asian countries. Now the question is: how can the Bangladeshi government bring about significant changes / transformation in the public sector or how the organizational transformation *can be* achieved in Bangladesh. Bangladesh has been one of the poorest countries in the world. Even when Bangladesh became an independent nation in 1971, Korea was not much different from Bangladesh. There are some common features of Bangladeshi governance such as Bangladeshi Bureaucracy maintains status-quo encountered with major administrative

reforms. Its bureaucracy also lacks career planning of the civil servants and entails indigenization of different foreign models. Lack of self-made effective planning and management and frequent market failure in many cases

Bangladesh may borrow foreign/Korean ideas but has to indigenize them and adapt them to local circumstances. Bangladesh has sustained moderate economic growth in recent years. However its per capita income is only US\$600 and Bangladesh remains one of the poorest countries in the world. While interviewing the government officials of Bangladesh most of them are of the opinion that Bangladesh needs to develop strategies and formulate policies emulating South Korean experience. The following five institutional factors are recommended as important for Bangladesh while comparing the country with South Korean case in 1960s. Moreover this study also suggested that the strategies of South Korea formulated in the 1960s could be lessons for contemporary Bangladesh and the following five institutional factors should be taken into consideration very carefully. Five Institutional Factors are: Cooperation between the Public and Private Sectors, Quality of Bureaucracy, Rule of Law, Corruption, Political Stability. These are all described below.

14. Cooperation between the Public and Private Sectors

In the 1960s when military leaders took over some leading industrialists were arrested and charged with corruption, but the new government realized that it would need the help of the entrepreneurs if the government's ambitious plans to modernize the economy were to be fulfilled. A compromise was reached, under which many of the accused corporate leaders paid fines to the government. Subsequently, there was increased cooperation between corporate and government leaders in modernizing the economy.

Here Following Japanese rule and the Korean War, the Syngman Rhee administration of the newly formed South Korean state used foreign aid from the United States during the 1950s to build an infrastructure that included a nationwide network of primary and secondary schools, modern roads, and a modern communications network. The result was that by 1961, South Korea had a well-educated young work force and a modern infrastructure that provided a solid foundation for economic growth. South Korea signed in 1965 to Treaty on Basic Relations between Japan and the Republic of Korea. Hereby, South Korea received \$800 million in grants and soft loans from Japan as compensation for its colonial rule in the treaty (Johnson, 1982). The South Korea government spent most of its money establishing social infrastructures and corporation, founding POSCO, building Gyeongbu Expressway and the Soyang River Dam.

As for Cooperation between the Public and Private Sectors the administration of Bangladesh has been facing a number of obstacles while comparing it with Korea. Lack of credible interactions between private and public sectors, minimum level of trust between the government and private sector are notable examples of such obstacles. There is an urgent necessity of managing the public-private partnership (PPP) in Bangladesh. Korean and Japanese governments had created mechanism which facilitated cooperation between public and private sectors by ensuring market success, economic growth and rapid development, these are all the central lessons for Bangladesh to be learned from Korea.

15. The Role of Bureaucracy and Administrative Reforms

Institutional Prerequisite for growth is obviously the competent bureaucracy. It is a part of Human resource development. We see the following characteristics of the Korean bureaucracy, which are largely missing in the context of Bangladesh. This includes good career opportunities, competitive compensation relative to private sectors, prestige of the Civil Service in the eyes of general population, high rewards for the civil servants.

Quality of Bureaucracy is the key indicator of a country's economic development (Wender, 1999). This means autonomy from political pressure and strength and expertise to govern without drastic changes in policy or interruption in government services as well as established mechanism for merit-based recruitment, promotion and training. There should be good career chances, prestige and attractive salary for the civil servants of a country like Bangladesh which are yet to be developed. Bangladesh can follow the example of South Korea in this regard.

All these are great lessons for Bangladesh to be learned from Korea. Although Bangladesh has the potentials to develop its human resources by making its huge population as manpower and skill-full what South Korea had done in the 1960s through an effective education and human resource development policies. In Bangladesh Career Planning and Training (CPT) Wing was formed on 31st August 2003 at the Ministry of Establishment. Prime assignment and tasks of this CPT wing are as follows; Formulation of comprehensive career plan of the civil servants; formulation of comprehensive training policy for the Bangladesh Civil Service (BCS) officials; formulation, introduction and updating of scientific Performance Appraisal System; collecting information and maintaining database using ICT;

The draft documents are yet to be finalized and pending for Government decision such as (1) Public Service Ordinance; (2) Promotion Rules for the Deputy Secretaries, Joint Secretaries, Additional Secretaries and the Secretaries; (3) Transfer, Posting and Placement Policy; (4) Career planning; and (5) Reform in the field administration

In spite of the above initiatives Bangladesh is yet to develop a systematic and pragmatic career plans for the civil service officials and fulfil other criteria to make public administration more efficient, prestigious and responsive.

16. Political System and Stability:

Elites and Political Power in South Korea is based on earlier work on the Korean government concerning the formation and importance of elites within the political system. The "vicious cycle of domineering is an outgrowth of Korea's native culture" and this authoritarianism is "characteristic of developing countries in their quest for political stability and economic growth". Rapid development took place under the authoritarian regime in South Korea in the 1960s due to political stability (Wender 1999, 71). Therefore the lesson is that political stability is important in state development rather than the form of government or political system.

Bangladesh is at a crossroads in its march towards democratic order. Though it started its

political journey with a parliamentary system after independence, it failed to sustain it; slowly but steadily the parliamentary government degenerated into an authoritarian system. As Bangladesh completes its thirty nine years of independence it also completes thirteen years of military rule or governments dominated by the military. Lack of political stability is a great hindrance to Bangladesh's rapid economic development. Like South Korea, Bangladesh needs political stability and strong leadership who could project the vision to bring about positive changes to the country's development. Moreover the following factors should be taken into consideration while drawing South Korean experience i.e. civil and political rights, freedom of media, low electoral uncertainty, and political system/stability

Many scholars argue that sometimes democratization and the strong leadership can be contradictory. In Bangladesh, the over developed political freedom may hinder the concerted effort of economic development under strong leadership.

17. Corruption: Comparison and Contrast between Bangladesh and Korea:

When the military took over the government in 1961, military leaders announced that they would eradicate the corruption that had plagued the Rhee administration and eliminate injustice from society (Amsden 1989, 48). Some leading industrialists were arrested and charged with corruption, but the new government realized that it would need the help of the entrepreneurs if the government's ambitious plans to modernize the economy were to be fulfilled. A compromise was reached, under which many of the accused corporate leaders paid fines to the government. Subsequently, there was increased cooperation between corporate and government leaders in modernizing the economy. The feature of corruption should not be a hindrance to business and economic development and Bangladesh government should carefully consider the following factors of South Korea regarding corruption: low corruption, Systematic corruption- not a business obstacle

The most characteristic aspect of Park's economic strategy was his emphasis on state control of the economy and the promotion of large corporations and conglomerates, or *chaebols*, apparently emulating Japanese *zaibatsu*. Although many *chaebol* began to form in the 1950s, their rapid growth occurred under Park's patronage. For him, modernization and industrialization meant emulating Japan. Later his *Yushin* was very much modeled on the Meiji Restoration (1860) of Japan, and he openly expressed his admiration for the leaders of the Meiji Restoration (Moran, 1999).

Clearly, President Park's *chaebol*-centered industrialization strategy was not a result of the *chaebol*'s lobby, but rather was based on his own desire to emulate Japan's industrialization. The *chaebol*'s share of the national economy was small when Park seized power, because of land reform and the destruction of private properties during the war. Park encouraged businesses to organize business associations, probably to make it easier to control individual firms. Business associations were, on the one hand, valuable and reliable sources of information for state officials and thus facilitated collaboration between the state and the business (Evans 1995; Schneider and Maxfield, 1997).

They also served as a conduit of raising official funds like the National Security Fund as well

as unofficial political funds. For example, the FKI used to allocate to the *chaebol* specific amounts of political donations and contributions to the National Security Fund (Oh 1995, 67). Business associations as well as the *chaebol* became increasingly powerful, however, as the example of the successful lobbying by the FKI for freezing the curb market demonstrates (Kim 2002, 43). Although Korea's developmental state never degenerated into a hopeless degree of capture and corruption as in the Philippines, the growing power of the *chaebol* increasingly became a great concern for the public as well as for subsequent administrations. President Park accepted the pledges of loyalty in return for dropping the corruption charges in 1961.

18. Rule of Law

The rule of law has never been a desirable goal of politics in Korea. Yet Korean society has seen much change in the past four decades, including an emerging economy, democratization reforms, and rapidly changing social attitudes. While comparing Korean experience Bangladesh government should consider the following factor to maintain rule of law in the country, Enforcement of law, Rule of `Men` has been converted to rule of law in Korea, Ensuring Security of people and property, Enhancing reliability on judiciary

Rule law means special aspects of the rule of law in a country, such as the reliability of the judiciary or the risk of being expropriated, as well as more general variables that try to render an overall judgment on the rule of law. Although rule of `Men` has been converted to rule of law in Korea, its rule of law ratings are very high and property rights are protected. It indicates sound political institutions, a strong court system and provisions for an orderly enforcement of laws.

19. Role of the Government Officials in Development

What can Bangladesh learn from the Korean case? The situation and context in which current Bangladesh is located are different from those of the Republic of Korea in 1970s and 1980s.

It is definitely possible to draw lessons and implications that made Korea become one of the leading countries in the world economy.

Then, what would be the proper role of Bangladesh government? And what should Bangladesh government officials do from now on? The following are answers to these questions:

The government officials should follow empirical strategies by following the model of Korea by projecting specific vision and mission to achieve the following strategic goals for overall development of the country. Putting utmost efforts towards administrative reforms, ensuring good governance, reducing poverty through Poverty Reduction Strategic Papers (PRSP), achieving Millennium Development Goals, targeting Digital Bangladesh by following Vision 2021, achieving goals by following the model of Korea are all important to ignite self-driven initiatives to make indigenous plan on the basis of local needs and demand

Bangladeshi Government officials need to set the national standard for economic

transformation by marshalling its resources to achieve development goals, security, economic abundance, and a nurturing environment for bureaucrats where government can play the pivotal role in state development (Parnini, 2009). Government officials along with the ministers and the head of the government in power should decide on how does the government of Bangladesh can achieve the specific vision and mission such as targeting digital Bangladesh by the year of 2021, meeting the needs and exceeding the expectations of our constituents. Those strategies should be based on the following factors:

Accountability and Citizen-cantered

The civil servants should be accountable for their activities to the government as well as to the citizens they serve and they need to develop pro-people attitude while discharging their duties.

Commitment to excellence and Integrity-based leadership

The public servants must be committed to excellent delivery of service to their areas concerned and should have leadership quality based on integrity to move the country forward.

Mutual respect

There should be level playing field for the private sectors to flourish and mutual trust between public and private sectors.

Public-private cooperation

One of the central observations from Korean experience was the close relationship between government and private business. There should be credible interactions between government and private sector.

In the process of economic development though change management; the above factors should be addressed properly by the government of Bangladesh. Special measures should be taken in the backward regions of the country to establish a "development pole" under the umbrella of comprehensive development plans and thus to bring about readiness for igniting a dramatic change towards positive economic development. It can obviously create a development network by promoting economic growth and other positive changes in the backward areas. All these "development poles" should be monitored by the specialized development institutions, which should again be organized for proper implementation of the unbalanced and balanced strategies.

20. Conclusion

In South Korea there is a high level of credibility and trust in government. The relationship between the public sector and the large Korean enterprises is very close, but ultimately the public sector clearly had the upper hand, with the government wielding both the carrot and the stick. The government provided enterprises with a large number of different subsidies and with pervasive protection, but in return demanded strict adherence to performance standards. By emulating Korean experience, Bangladeshi government should try to build up high level of credibility, confidence and trust upon which the private sectors can rely. Mutual trust

should be there between the public and private sectors to strengthen public-private partnership in various vital sectors of Bangladesh.

Here the question is to see the role of government in the resource-poor countries like Bangladesh and Korea. Korea has strongly outperformed many resource-abundant countries in terms of economic development. However, some resource-poor countries like South Korea have been more dynamic than that of Bangladesh. Two models of resource-driven growth, the staple trap model and the competitive industrialization model, help to explain why Bangladesh lagged. Prior to the 1980s Bangladesh drifted into the staple trap model associated with the resource-abundant countries so that incentives were squeezed in the primary sector to support slow-maturing manufacturing. However, the staple trap retards passage through the demographic transition and rapid population growth eventually pushed Bangladesh towards severe land-scarcity that triggered hesitant reform towards competitive industrialization in the 1980s.

The economy of South Korea currently outpaced many resource-abundant countries and still grew at two-thirds of its potential. Reforms of the Governmental structure are required in Bangladesh which will ensure ethical and transparent administration and positive transformation through unbalanced strategies initially within the framework of change management. When the unbalanced strategies can create a congenial environment for igniting changes towards positive development in the country, it can create readiness for the Bangladeshi government to adopt a balanced growth strategy like South Korea. Therefore, the Bangladeshi Government can engage its constituents and also can provide efficient services to the citizens it serves. Bangladesh is a country of abundant opportunity for financial stability and advancement at all socio-economic levels. The country can emulate the model of South Korea for its rapid economic growth and industrialization process by applying the essence of the balanced and unbalanced growth strategies while addressing the components of change management to ignite real changes for good governance and overall economic prosperity in the years to come.

¹ Among the premier experts in change management is John P. Kotter. Kotter presents a culmination of practical experience in his book, *Leading Change*. Kotter originally published an article in the summer of 1994 titled "*Leading Change: Why Transformation Efforts Fail*." In this book as in his often cited Harvard Business Review article Kotter presents his experience in consulting with over 100 organizations that have launched transformation initiatives. He states that many of these initiatives were successful and many were total failures. Based on this experience, Kotter developed an 8-step process for avoiding the errors he has observed. Kotter also makes a strong case for properly sequencing these process steps. These steps can be applied to a country like Bangladesh to ignite changes through its government by learning lessons from the success cases of South Korea pertaining to change management. See Kotter, P. John, (1996), *Leading Change: Why Transformation Efforts Fail*, M.A.: Harvard Business School Press.

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