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**The Rhetorical Power of Neo-Liberalism and the Strengthening of the
Korean State**

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Abstract:

This article tests the assumption that neo-liberalism inevitably detracts from state strength by analysing the power of the Korean state since the Asian economic crisis. Despite expectations to the contrary, the state has retained its influential position as economic manager, thanks to a combination of two types of power: the repressive powers of the developmental state, and crucially, powers stemming from neo-liberalism itself. The Korean state used both these resources, which amount to the full spectrum of what Michael Mann refers to as *infrastructural power*, in its social and political struggle with civil society over economic policy. Rather than being a disempowering force, neo-liberal reform enhanced the political position of the Korean state, which presented itself as an agent capable of resolving long-standing economic problems, defending law and order, and attracting the support of democratic forces. Our findings suggest that neo-liberalism offers some states the opportunity to remain weighty economic actors, and developmental states may be particularly adept at co-opting elements of civil society into governing alliances.

1. Introduction

This paper analyses the transformation of the South Korean state since the 1990s. Prior to the Asian financial crisis, economic liberalisation, political democratisation, and the growing power of big business had weakened the power and authority of the state. The government had reduced its capacity to play an active role in the economy by curtailing micro-level intervention, dispensing with policy loans and credit rationing, and abandoning formal planning. From a position of relative dominance in the late 1970s, the power of the state had declined, while that of other societal actors, especially business, had increased.

The bankruptcy of several large *chaebol* conglomerates in 1997 indicated that the Korean economy suffered from potentially significant weaknesses. A contraction of international financial markets, coupled with greater scrutiny of corporate balance sheets, put Korea on the verge of national default. In return for a bailout loan from the International Monetary Fund, the government agreed to reduce spending, enact reforms to increase the quality of loans, introduce new regulations to improve standards of corporate governance, and deregulate the labour market.

These changes have generated much debate about the role of the Korean state. Scholars such as Iain Pirie argue that a 'new' state has emerged in Korea, one that no longer subscribes to an interventionist role.¹ For these scholars, the crisis permanently ended the state's weighty role in the economy. Others posit that the developmental state (DS) has been transformed, and that a new phase of state leadership had begun. In this view, the Korean state has been 'reconfigured' to the needs and circumstances of a new era.²

¹ Iain Pirie (2005) The New Korean State. *New Political Economy* 10(1): 25–42.

² Yin-hwa Chu (2009) Eclipse or Reconfigured? South Korea's Developmental State and Challenges of the Global Knowledge Economy. *Economy and Society* 38(2): 278–303.

However, these interpretations do not adequately explain how the state recovered from its position of relative weakness. I argue that neo-liberal reform enhanced the political position of the Korean state, which engaged in a continuing struggle with other social forces over the shape and content of economic policy. The state reasserted its authority over the *chaebol*, and it largely succeeded in its struggles with civil society. It did so, I argue, by using neo-liberalism to justify its continued centrality to economic and politics affairs.

It is premature to assume that neo-liberalism is a disempowering force. States have not become noticeably smaller or weaker under neo-liberalism, as the Thatcher and Reagan governments demonstrated by their interventionist approach to economic liberalisation in the 1980s. Rather than the ‘invisible hand’ of the market reigning supreme, it was the hand of government that was ‘visible’ and more powerful than that of the market.

I find an answer to the riddle of the revival of state power under neo-liberalism by focusing on how states accrue power in society. As Joel Migdal argues, states are not hegemonic bodies that act entirely in accordance with their own preferences.³ To some degree, they must negotiate with society over the shape and content of public policy, among other things. The strengthening of the Korean state since the economic crisis is attributable to its use of two types of power: the repressive powers of the developmental state, and the powers inherent in neo-liberalism itself.

These types of power are not mutually exclusive: for Michael Mann, *infrastructural power* is ‘the institutional capacity of a central state, *despotic or not*, to penetrate its territories and logistically implement decisions’.⁴ In other words, states choose which power resources they use to govern, and can justify their rule through forceful action. It is sometimes possible to combine despotic and non-despotic forms of power. In nominally democratic Korea, some legacies of the authoritarian era persist. The state’s despotic power is evident in its willingness to forcibly end strikes and to harass political opponents, and its non-despotic power is apparent in its competent economic management since the 1960s. Neo-liberal reform was a different objective than earlier phases of economic statecraft, but it was a ‘national project’ that the Korean state pursued with infrastructural power.

Civil society has challenged aspects of neo-liberal reform, such as the deregulation of labour markets, the reform of corporate governance and social policy, and trade liberalisation, and this paper discusses contestation over each of these aspects of reform.

2. Neo-liberalism and the State

First, however, it is worth revisiting the notion of neo-liberalism and its effects on the state. By

³ Joel S. Migdal (2001) *State in Society: Studying how States and Societies Transform and Constitute one Another*. Cambridge: Cambridge University Press.

⁴ Michael Mann (1993) *The Sources of Social Power: The Rise of Classes and Nation–States, 1760–1914*. Cambridge: Cambridge University Press, p. 59, emphasis added.

one account, neo-liberalism is ‘an oppositional slogan, a zeitgeist signifier and an analytical construct’.⁵ Others refer to neo-liberalism as an ill-defined ‘political swearword’ that is merely used to criticise the negative aspects of capitalism.⁶ It can also describe policies associated with modern Anglo–American capitalism, in which commitments to the welfare state are abandoned or compromised. Here, neo-liberalism is a ‘programme of... developing human society by means of competitive markets’.⁷ This minimalist ‘regulatory state’ seeks to avoid market distortions, acts as a neutral arbiter that maintains ‘the rules of the game’, and does not instigate long-term socio-economic change. Neo-liberalism is thus a set of ideas about how economies *should* operate and the limited role of government therein.

Due to these normative assumptions, however, the neo-liberal analytical framework has limited value. Since it advocates an ever-smaller role for the state, neo-liberalism cannot adequately account for states being competent economic managers. Further, neo-liberalism has a narrow understanding of the necessity of states, which do far more than just maintain the rules of the game. States accrue power and legitimacy by maintaining internal order, military defences and communications infrastructure, and acting as centralised bodies in given territorial spaces.

Just as few regimes have fully implemented any ideology, in practice neo-liberalism has not been instituted in its purest form. States, however, can use neo-liberalism as a program for action that may legitimise their rule. As Mann notes, ‘any state which acquires or exploits social utility will be provided with infrastructural supports. These enable it to regulate, normatively and by force, a given set of social and territorial relations’.⁸

Mann’s notion of infrastructural power, I argue, helps explain how Korea’s formerly authoritarian developmental state has reconciled itself to a more pluralistic society. Despotic power ‘derives from the range of actions that state elites can undertake without routine negotiation with civil society’.⁹ However, it is only one element of what Mann refers to as *infrastructural power*, which ‘is a two-way street: it also enables civil society parties to control the state’.¹⁰ In seeking to wield infrastructural power, the state faces a delicate balancing act. On the one hand, it can resort to repression when other social forces oppose certain policies, but using despotic power risks alienating the very constituencies whose support the state requires. On the other hand, by ceding too much ground to social forces such as big business and civil society actors, the state may lose control of the policy agenda. The remainder of this talk analyses how the Korean state has alternated between these power resources to justify its continued dominance of economic policymaking following the Asian economic crisis.

⁵ Jamie Peck, Nik Theodore and Neil Brenner (2010) Postneoliberalism and Its Malcontents. *Antipode* 41(S1), p. 96.

⁶ Oliver M. Hartwich (2009) Neoliberalism: The Genesis of a Political Swearword. *Centre for Independent Studies Occasional Paper* 114.

⁷ Heikki Patomäki (2009) Neoliberalism and the Global Financial Crisis. *New Political Science* 31(4), p. 433.

⁸ Michael Mann (1984) The Autonomous Power of the State: Its Origins, Mechanisms and Results. *European Journal of Sociology* 25(2), p. 208.

⁹ Mann, *The Sources of Social Power*, p. 59.

¹⁰ *Ibid.*, p. 59.

3. The Politics of the Social Pact

For the Korean state, civil society was a potentially valuable ally following the crisis. Trade unions and NGOs could lend credibility to the government's claims to leadership. The government proposed a social pact between labour, government and business, known as the Korean Tripartite Commission. The commission addressed broad-ranging issues, such as corporate restructuring, enhancing the transparency of the *chaebol*, labour-market flexibility, aid for the unemployed, labour rights, and social security.

In joining the talks, the progressive Korean Confederation of Trade Unions (KCTU) partially fulfilled its aspirations to become a legitimate political actor. The KCTU's Yoon Young-Mo emphasised the talks' symbolism, saying 'Labour could now be included and recognised as a pillar of the society, as a value in itself as an organised progressive force. In this way you could philosophically change the way in which labour was perceived in society'.¹¹ By bringing the unions into a governing alliance, the state tapped a new political resource, and claimed a form of democratic legitimacy. The state could also project its own prescriptions for resolving the economic crisis on to other societal actors.

Labour was a natural ally to the state, given their shared belief that the *chaebol* were the main culprits of the crisis. The unions recognised the political value of being on the side of reform. As the KCTU's Yoon said: 'members were worried about how their actions would be interpreted within the overall context of the economic crisis. They found it difficult to be seen as the people who rock the boat at a time of difficulty'.¹²

The government's main prescription for resolving the crisis was corporate restructuring, in the form of reducing overcapacity and indebtedness. The Minister for Finance and Economy, Lee Kyu-Seong, however, warned that 'reducing employment by 10 to 20% through restructuring is a way to prevent a situation where 100% of jobs are lost to unemployment'.¹³ Union leaders proposed that *chaebol* restructuring proceed via job sharing and wage freezes, and they accepted that layoffs were 'inevitable'. Consequently, they accepted the logic of neo-liberal reform. They also conferred on the government's leadership a veneer of democratic legitimacy. Unions, however, presumed that the *chaebol* would implement their side of the agreement, by minimising job cuts. Instead, the *chaebol* announced plans to reduce employment. When the union federations returned to their members with details of the pact, delegates voted to reject the agreement.

The talks broke down, and unions threatened to strike. The government, however, did not accept the unions' use of extra-parliamentary action. 'Reform' was a powerful weapon in the hands of

¹¹ Cited in Michael Neary (2000) Hyundai Motors 1998–1999: The Anatomy of a Strike. *Capital & Class*, spring, p. 4.

¹² Cited in Neary, Hyundai Motors 1998–1999, p. 4.

¹³ Cited in Yang-Min Song (1999) 10–20% Gamwon-Haeya Modu Sanda (10–20% [of Jobs] Must be Cut to Save All). *Wolgan Chosun*, April, p. 91.

the government, which attempted to delegitimise non-routine tactics such as strikes. The public appeared to accept this version of events. Park Won-soon, leader of the reformist People's Solidarity for Participatory Democracy (*Chamyeo Yeondae*, PSPD), and current mayor of Seoul, said that the unions' failed to persuade the public to support their campaign: 'In the French case, the public will support subway workers if they go on strike, but it's not that case for us... Labour has to present evidence that strikes are in the interests of society, not just the working class.'¹⁴

In place of the spirit of consultation that had characterised the tripartite commission, the government reverted to the suppression of strikes and the arrest of union leaders to end industrial disputes. In doing so, the state portrayed itself as the indispensable guarantor of law and order.

The social pact illustrated two forms of state infrastructural power. First, the talks allowed unions to have input to the making of public policy, but in practice the state had little tolerance for the interests of labour. The social pact's agenda reflected the government's priorities. Neo-liberalism was a powerful rhetorical tool for the state, which claimed to be reforming a dysfunctional, faulty economic model.

Second, designating the *chaebol* as the culprits in the crisis, and thus the primary target for reform, created a rationale for a revival in state leadership, but complicated the position of the unions. For the unions to be on the side of *neo-liberal* reform was to accept the logic and legitimacy of the reform package, including the inevitability of job losses. Leadership of the reform campaign thus strengthened the state's political position, and compromised that of labour. With strikes being portrayed as illegitimate, unions encountered difficulty in harnessing support from the public and other sectors of civil society.

Finally, due to its enhanced claims to leadership, the government could argue that it was fulfilling its duty to maintain law and order. If the KCTU did not comply with the 'carrot' of neo-liberal reform, the state could justify using the 'stick' of repression to prevent a return to strikes. In this sense, both elements of infrastructural power were evident in the politics of the social pact.

4. Co-opting Civil Society

Like trade unions, NGOs initially supported the government's prescriptions for economic recovery. The government recruited the Citizens' Coalition for Economic Justice (*Gyeongshillyeon*, CCEJ), and the PSPD to support its reform agenda.

Progressive NGOs were particularly attracted to the issue of *chaebol* reform. The PSPD sought to enhance the rights of minority shareholders and thus rein in the abuses of *chaebol* power. In

¹⁴ Cited in Hyo-won Yoon (2001) *Daejungjeokin Seomseham-gwa Gamsuseong-eul gajeoya hamnida* (We must have Populist Subtlety and a Sense of Resignation). *Nodong Sahoe* 53, p. 72.

this respect, its agenda coincided with elements of the tripartite talks. Through its 'small shareholders' movement', the PSPD sought to ensure that *chaebol* held general meetings as required in their statutes. It also sought to improve managerial practices through the appointment of external directors to *chaebol* boards.¹⁵ In 1998, the PSPD filed suit on behalf of shareholders against the Hanbo Group.

A second area of cooperation between NGOs and the government was social policy. Korean social insurance schemes were extended, with better funding for pension schemes and a greater proportion of workers becoming eligible for coverage. However, the improvements were quantitative rather than qualitative. The social-safety net covered more people, but the system was less generous. The effective rates of coverage for pensions, industrial accidents and employment all increased compared to the 1990s, but the benefits attached to the pension scheme were less extensive. NGOs were consulted on social policy reform but did not support the changes due to the reduction in benefits.¹⁶

Nonetheless, NGOs were complicit to policy reforms that promoted the norms of self-reliance and minimal dependence on welfare. Some cohorts were designated as worthy recipients of welfare, while others were not. Skilled workers were considered the most worthy recipients of welfare, but the long-term unemployed were targets of scorn. In a similar manner, a distinction was drawn between those people made homeless due to the economic crisis as opposed to those who were long-term homeless.¹⁷

At a formal level, NGOs had some input into the policymaking process. Representatives from civil society even served as Cabinet ministers in the Kim and Roh governments, but a CCEJ representative I interviewed was skeptical about their effectiveness, saying 'It's been rare to go into government and be satisfied that one's ideas have successfully been implemented. There are cases of people leaving government service because their intentions were not achieved.'¹⁸

Political apathy reduced the capacity of NGOs to influence public policy. Korea fares poorly compared with other East Asian states in terms of willingness to participate in or attend protests, and participation in voluntary organisations.¹⁹ For most CCEJ members, 'membership' entails paying regular fees rather than active participation in rallies.²⁰ For these reasons, Korean NGOs encountered difficulties in influencing economic policy.

¹⁵ Hyun-Chin Lim and Jin-Ho Jang (2006) Neo-liberalism in Post Crisis South Korea: Social Conditions and Outcomes. *Journal of Contemporary Asia* 36(4): 442–63.

¹⁶ Myungsook Woo (2011) A Newly Emerging Small Welfare State and Social Cleavage: The Korean Case. *Korea Observer* 42(4): 645–76.

¹⁷ Jesook Song (2009) *South Koreans in the Debt Crisis: The Creation of a Neoliberal Welfare Society*. Durham, NC: Duke University Press.

¹⁸ Interview with CCEJ officials, March 2009.

¹⁹ Global Barometer Surveys (2010) *Online Data Analysis*. Department of Political Science, National Taiwan University. Available at: <http://www.jdsurvey.net/gbs/AnalyzeIndex.jsp> (consulted 13 September 2010).

²⁰ Interview with CCEJ officials, March 2009.

Relations between the state and NGOs shared some similarities to those between the state and labour. As in the social pact, the government portrayed itself as an indispensable problem-solver, and reform-minded NGOs supported measures to regulate the *chaebol* through stronger oversight of the financial system and improvements in internal governance. In that they partially checked the power of the *chaebol*, these neo-liberal measures could be argued to have enhanced national economic resilience.

By engaging NGOs into the reform agenda, however, the state implicated the PSPD and CCEJ with regressive aspects of the reform package, such as changes to social policy. Being party to the policymaking process compromised NGOs. The government attained the political benefits from NGOs' 'buy-in' to the reform agenda, but NGOs wore some of the blame for regressive policies.

Unlike unions, NGOs were not subjected to despotic power. The PSPD and CCEJ did not officially take part in protests that could invite the use of state repression. This illustrates the state's discretion in choosing between power resources: neo-liberalism allowed the state to gain the support of NGOs without compromising on the reform agenda.

5. The Struggle over the FTA

A third instance of neo-liberal transformation was the negotiation of free trade agreements (FTAs). Korea's biggest agreement is the Korea–US FTA. Trade unions and some NGOs strongly opposed the agreement, and launched a campaign against the FTA in 2007. The KCTU contested the FTA on grounds such as its adverse effects on workers' rights, the creation of unfair competition for local firms, and the dilution of health and safety standards.²¹

However, the status of US beef imports was the main issue impeding ratification of the agreement. In April 2008, the government announced that imports of most American beef would resume, seemingly securing American approval to the agreement's ratification.

This announcement sparked new protests against beef imports, as middle-class protestors spontaneously joined the KCTU-led demonstrations. A protest in early May attracted 20,000 people, of whom police estimated that more than 60% were middle- and high-school students. It is unusual for teenagers to be heavily involved in protests, which are mainly the domain of adults, and in particular men. Young mothers were another prominent component of the protests. The baby-stroller brigades (*yumocha budae*, BSBs) reinforced the notion that the protests reflected a genuine concern about food safety rather than a political activity.²²

²¹ Young-goo Heo (2008) *KCTU Proposal on EU FTAs Policy*. Seoul, Korea: Korean Confederation of Trade Unions.

²² Chul-Kyoo Kim and Hae-Jin Lee (2010) Teenage Participants of the 2008 Candlelight Vigil: Their Social Characteristics and Changes in Political Views. *Korea Journal* 50(3): 14–37; Suhong Chae and Soojin Kim (2010) The Candlelight Protest and the Politics of the Baby Stroller Brigades. *Korea Journal* 50(3): 71–99.

Protests were mainly peaceful until late May, when riot police used water cannons and fire extinguishers to disperse crowds. To the government's consternation, the protests were creating political consciousness among the middle classes. Some of the BSBs joined NGOs that focused on food-safety, and exhibited politically progressive tendencies. Similarly, most school-aged protesters depicted the protests as being motivated more by civil rights and democracy than food safety per se.

The government recognised the potential danger of a coalition between the unions and the middle classes. The president expressed regret for his handling of beef imports. Lee tried to quell public opposition by replacing some aides and ministers. The government agreed to resume imports of beef from American cattle that were less than 30 months old.

The KCTU did not accept these concessions, and continued its campaign in conjunction with allied civic groups. The CCEJ did not officially join the protests, but some of its members participated on their own volition. The PSPD, like the CCEJ, limited its official involvement, and conducted a 'citizens' audit' of the beef negotiations. It accused the government of exposing Koreans to food whose safety had not been scientifically proven.

Protests entered a new phase in late June, when 100,000 people gathered for a candlelit protest. NGOs claimed that hundreds of injuries had resulted from clashes between demonstrators and police, and accused the government of an excessive use of force. Justice Minister Kim Kyung-han vowed to take tougher action against demonstrators: 'We will hunt down and arrest all those who instigate violence or break laws during a street rally and harshly punish them.'²³ The leaders of the KCTU and Jinbo Korea were targeted for arrest.

Protests gradually waned but the government's pursuit of its enemies did not. NGOs which supported 'illegal' protests lost funding, and state-funded broadcasters, arts bodies and even the National Human Rights Commission suffered funding cuts for criticising the government.²⁴

The FTA protests differed from other types of neo-liberal reform, insofar as Korean civil society did not support the agreement at all. The social and political contention over the FTA was multifaceted and long-lasting. The demonstrations against beef imports were spontaneous and decentralised, and represented a new type of mass protest. The KCTU initiated the protests against the FTA in 2007, but not the phase that focused on beef imports.

Further, the state pursued the FTA under non-crisis conditions. There was no obvious target or 'culprit', such as the *chaebol*, and it was more difficult for the state to use neo-liberal reform to justify its leadership. This affected the state's choice of power resources. The rhetorical power of neo-liberalism functioned less effectively than in other cases, so the state used repression more

²³ Cited in Myo-ja Ser (2008) Injuries mount as Protests become Violent. *Joongang Ilbo*, 30 June.

²⁴ Jamie Doucette (2010) A Korean Thermidor? Political Space and Democratization in South Korea. Paper presented to the Third Kyujanggak International Symposium on Korean Studies, Kyujanggak Institute for Korean Studies, Seoul National University.

extensively.

The health risks associated with American beef instigated the participation of school children and families in the protests. The government, however, defused the issue such that most first-time protesters lost the will to continue their involvement. The state again assumed the mantle of protector of law and order, by emphasising the legality of its own actions and contrasting them with the illegality of the protesters. However, the inability of civil society to form a cooperative front made it easier for the government to combat a potentially serious challenge to neo-liberal reform.

6. Conclusions

This paper analysed the effects of neo-liberalism on state power by examining the social and political contention between the Korean state and civil society. I argued that, along with the repressive powers of the developmental state, neo-liberalism enhanced the state's political position in three ways.

First, stewardship of the reform agenda allowed the state to portray itself as a problem-solver. The state applied neo-liberal prescriptions to what it portrayed as an outdated and failed economic model, and the targeting of the *chaebol* attracted a strong degree of support from Korean society. However, the rhetoric of neo-liberalism was less effective in the case of the FTA protests.

Second, the state's centrality to neo-liberal reform provided some justification for the state to retain and use extensive power resources. In providing law and order, the state emphasised the legality of its actions, and the illegality of strikes and protests. Remnants of authoritarianism were thus evident even three decades after Korea's democratic opening in 1987.

Third, the revival of leadership that neo-liberal reform entailed bolstered the state's claims to democratic legitimacy. Initially at least, associating itself with other societal forces reinforced state leadership, but the arbitrary use of force during the FTA protests and the willingness to ignore the prerogatives of other societal forces gradually eroded the popularity of both progressive and conservative governments.

The Korean experience illustrates that neo-liberalism does not necessarily weaken states. Instead, neo-liberal reform may reinforce and even strengthen the centrality of states to economic and political life. Since neo-liberalism is best understood as a normative policy framework rather than description of actual behaviour, there is no single neoliberal 'endpoint' or 'ideal-type' society. Like anarchy, neo-liberalism 'is what states make of it',²⁵ and may provide some states with a pretext for leadership even at a time of alleged market supremacy.

²⁵ Alexander Wendt (1992). Anarchy is what States Make of It: The Social Construction of Power Politics. *International Organization* 46(2): 391–425.