To: Dr. Mary Sadler
Director, Liberal Studies Program

From: Dr. Nicholas Karatjas NK
Chair, Department of Economics

Subject: One-time Approval for EC339

Date: July 19, 1999

As I have written you before, EC339 is scheduled to be offered this coming fall as a writing-intensive course. It was scheduled to be taught by Yaw Asamoah, who is certified to offer a writing-intensive course. Yaw will be joining our college Dean's office as Acting Associate Dean for a period of one year and will not be able to teach the course. We request a one-time approval to keep the W-designation on EC339 this fall. We have hired Dr. Chris Stevens to replace Yaw and he will be teaching EC339. I have spoken to Chris and he was planning to utilize writing as an integral part of the course. I have attached a copy of his curriculum vita and a copy of the syllabi previously used for the EC339 course. Chris intends to be faithful to Yaw's syllabus and he intends to require similar assignments.

Please let me know if you need any further clarification.

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Christopher J. Stevens

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120 Hiawatha Drive here
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(412) 268-6989 (Attn James Stevens) fax

Education:

B.S. , Allegheny College (Meadville, Pa.), *Magna Cum Laude*, Economics, June 1991
Awards: Outstanding Junior and Senior in Economics, Graduate Prize in Economics
Minors: Mathematics, Political Science, and History

Ph.D., Washington State University (Pullman, WA.) Expected: May 1999
Fields: Labor Economics, Health Economics, and Applied Microeconomics

Dissertation: "The role of ownership in HMO input decision making."

Research in Progress:

- "Ownership and economic rents" (working paper)
- "The role of public capital expenditure in developing nations: The Latin American experience"

Teaching Experience:

Economics 350 (Labor Economics) for fall 97 and spring 98 terms

- Sole responsibility for material, content, grading, and lecturing of the course. Students mainly from the business fields. Supervised the TA for the course

Economics 101 (Intro Microeconomics) for fall 96 and spring 97 terms

- Sole responsibility for material, content, grading, and teaching in a large lecture size course, including designing PowerPoint presentations. Supervised the TAs who ran the lab sections.

Economics 320 (Money and Banking) for Summer 96 term

- Sole responsibility for material, content, grading, and lecturing of the course.

TA for various principles classes during first two years in Ph.D. program

- Participant in a project (funded by the Foundation for the Improvement of Post-Secondary Education) to enhance computer use and active learning in large principles of economics sections. Responsible for running the computer lab sections for the class. Labs involved using

Excel homeworks, PowerPoint presentations and specialized computer software.

Assistant for the ADCEC project (computer software) in Microeconomics

- Involved review and aid in designing on-line presentation of economics materials designed for a stand-alone, asynchronous, distance and on-sight learning experience. Sole designer of on-line assessment modules for use with each section of material. Writing a test bank to go along with these materials.

Publications:

Test bank for Michael L. Katz and Harvey S. Rosen's Microeconomics, 3rd Edition. Published by McGraw-Hill.

Study guide for Katz and Rosen Microeconomics (with Dr. Rosenman)

References:

Robert Rosenman (Prof. Of Economics at WSU; Dissertation Chair)
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Rodney Fort (Prof. Of Economics at WSU)
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Duane Leigh (Prof. Of Economics at WSU; Department Chair)
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Department of Economics

Course Number:	EC 339, Fall 1997	**Time:**	TR 9:45 - 11:15
Course Title:	Economic Development I	**Location:**	Keith 134
Prerequisites:	EC 121 and EC 122		
Instructor:	Dr. Yaw A. Asamoah	**Office:**	McElhaney 213C
Office Hours, F97:	MWF 2:15 - 3:15, TR 2:00 - 3:00, and by appointment.	**Telephone:**	357-2641
		E-mail:	OSEBO

Course Description and Objectives:

In this course students will: (1) learn about the processes of, and the distinction between economic growth and economic development; (2) be introduced to the theories of economic growth, and the patterns of growth that foster a more rapid economic development; (3) develop an understanding of the role played by interest group politics and government policies in the economic development of nations; (4) grapple with policy problems based on sectoral issues such as agriculture, industry, trade, and finance; and (5) learn about the role of international economic relations in economic development.

Course Policies and Requirements:

Required Purchases:

1. (Text) Pari Kasliwal, Development Economics, Southwestern, 1995.
2. (Case Studies) Stephen C. Smith, Case Studies in Economic Development, 2nd. Edition, Addison Wesley, 1997.
3. (Course Packet) The *Pro-Packet* Class Packet prepared for this class.

Recommended Reading:

1. The *Wall Street Journal*
2. The *Economist* or *BusinessWeek*

Course Requirements:

Instruction in this class will make heavy use of diagrams. You should therefore be familiar with the construction and interpretation of simple graphs.

The final grade will be determined by the following scheme:

Item	% of Final Score
First Exam	10
Second Exam	20
Final Exam	30
Case Analysis Reports	20
In Class Activity	20
TOTAL	100

Typically, a student who earns a weighted average score of 80% or more makes an A for the semester, a score between 70 and 79% is typically a B, and so on; a weighted score below 50% reflects a failing grade.

The exams will consist of short-essay questions; these will be based on material presented in class and on the assigned readings. The dates for the first and second exams will be announced in class at least a week before the exam; the final will be given as scheduled (i.e., Monday, December 22, 12:30 - 2:30 p.m.). As you make your holiday-season travel plans, please make sure that you will be available to take the final exam. I will give a rare make-up exam for those who can present--preferably *before* the exam-- a good reason for missing it. (For an example of a "good" reason, please see the next paragraph). If you fail to attend an exam, you will be given a zero unless you convince me that your absence was due to circumstances beyond your control.

I will give several in-class collaborative (or group) assignments. I will also ask you to write a number of case analysis reports that will be based on the assigned article readings from *Finance & Development*. There will be no make-up assignments. If you miss an assignment you will receive a zero score for it unless you can document that you had to miss class for reasons of ill-health, family emergency, or your participation in an approved university team activity. Students who provide a satisfactory reason for missing an assignment will be excused from it. Although class attendance is not required, I expect you to attend class. Absences will cost you a share of the points you can earn through class participation and the in-class group assignments. If you miss class I would expect you to find out what you missed *from your classmates.*

Students tend to do better in my classes if they review the course material ahead of time, and if they pay attention and actively participate in class. Because class participation is required, you are expected to read ahead, familiarize yourself with the technical terms and graphs, and where applicable, complete the assigned case analysis report for each class. I also expect you to ask for help when you need it. If my office hours are not good for you, please let me know so that we may arrange a mutually-agreeable time.

Policy Regarding Academic Dishonesty

IUP's Academic Integrity Policy (published in the *Undergraduate Catalog* and the *IUP Student Handbook*) warns students against providing or receiving unauthorized assistance in course work and during exams. It also forbids the use of unauthorized materials or devices during exams, and plagiarism.

Finally, please note that the deadline for withdrawing from this course is 4:30 p.m. Friday, November 7.

Course Outline

Week	Topic	Reading Assignment
1	**Introduction to Development Economics; Characteristics of Less Developed Countries**	Chapter 1; Article #5
2	**Growth vs. Development**	
	1. Economic growth, economic development	Chapter 1
	2. Measuring growth, economic development	Chapter 2
	3. Growth and Development in Historical Perspective	
3	**Theories of Growth**	Chapters 5 & 6
	1. The Classical (Ricardian) Growth Model	
	2. The Lewis Growth Model	
	3. The Harrod-Domar Growth Model	
	4. The Neo-Classical Growth Model	
	5. Dependency Theory	
4	**Markets versus Government Intervention in a Developing Economy**	Chapter 13; Articles # 2, 3, 4, 6, 10-14, & 16

5 & 6	**Population** 1. Patterns of World Population Growth 2. Demographic Transition 3. Theories of Fertility Behavior 4. Population Policy	Chapter 4
7	**Finance and Development** 1. The Role of Finance in Development 2. Inflation: Sources and Effects 3. Financial Repression and Liberalization	Chapters 7 & 16; Articles # 1, 2, 5, 7, 8, 10, 11, & 15
8 & 9	**Poverty, Inequality, & Human Resource Development** 1. Growth and Income Inequality 2. Employment and Unemployment 3. Education	Articles 1, 5, 6, 10 & 17 Chapter 3 Chapter 9 Chapter 8
10	**Agriculture** 1. The Role of Agriculture in Development 2. The Performance of Agriculture in LDCs 3. Explaining the Poor Performance of LDC Agriculture	Chapter 14; Articles #5, 9a, 9b & 11
11	**Industry and Technology in Development** 1. The Role of Industry in Development 2. Concepts and Issues in LDC Industrialization 3. Choice of Industrial Technology in LDCs	Chapter 15
12 & 13	**Trade and Development** 1. Is Trade an Engine of Growth? 2. Trade-Policies of LDCs	Chapter 12; Article # 1
14 & 15	**Managing the Balance of Payments** 1. The Balance of Payments 2. Balance of Payments Crises 3. Coping with Foreign Debt **Final Exam**	Chapter 16; Articles # 1,2, & 16

EC 339 Economic Development I
Fall 1997

List of Readings

Note: All the articles cited below are from *Finance & Development*, the IMF-World Bank quarterly publication.

1. Shahid J. Burki and Sebastian Edwards, "Consolidating Economic Reforms in Latin America and the Caribbean," *F & D*, March 1995, pp. 6-9.

2. Asad Alam and Sarath Rajapatirana, "Trade Reform in Latin America and the Caribbean," *F & D*, September 1993, pp. 44-47.

3. Boris Bernstein and James Boughton, "Adjusting to Development: The IMF and the Poor," *F & D*, September 1994, pp. 42-45.

4. Pierre Landell-Mills and Ismail Serageldin, "Governance and the Development Process," *F & D*, September 1991, pp. 14-17.

5. Padma Gotur, "Bangladesh: Tackling the Problem of Poverty," *F & D*, June 1992, pp. 38-39.

6. Claire Liuksila, "Colombia: Economic Adjustment and the Poor," *F & D*, June 1992, pp. 40-41.

7. Amar Bhattacharya, Peter J. Montiel, and Sunil Sharma, "How can Sub-Saharan Africa Attract More Private Capital Inflows," *F & D*, June 1997, pp. 3-6.

8. Huw Pill and Mahmood Pradhan, "Financial Liberalization in Africa and Asia," *F & D*, June 1997, pp. 7-10.

9a. Wendy S. Ayres and Alex F. McCalla, "Rural Development, Agriculture, and Food Security," *F & D*, December 1996, pp. 8-11.

9b. Lena Hasle, "Women and Development" (A Reader's Comment), and the response by Ayres and McCalla, *F & D*, June 1997, pp. 55-56.

10. Ishrat Husain, "Results of Adjustment in Africa: Selected Cases," *F & D*, June 1994, pp. 6-9.

11. Christine Jones and Miguel Kiguel, " Africa's Quest for Prosperity: Has Adjustment Helped?" *F & D*, June 1994, pp. 2-5.

12. Ajay Chhibber, "The State in a Changing World," *F & D*, September 1997, pp. 17-20.

13. Brian Levy, "How Can States Foster Markets?" *F & D*, September 1997, pp. 21-23.

14. Sanjay Pradhan, "Improving the State's Institutional Capability," *F & D*, September 1997, pp. 24-27.

15. Abdelali Jbili, Klaus Enders, and Volker Treichel, "Financial Sector Reforms in Morocco and Tunisia," *F&D*, September 1997, pp. 29-31.

16. IMF, "Experience Under the IMF's Enhanced Structural Adjustment Facility, *F&D*, September 1997, pp. 32-35.

17. Benedict Clements, "The *Real* Plan, Poverty, and Income Distribution in Brazil," *F&D*, Sepetember 1997, pp. 44-46.

EC 339 Economic Development I
Fall 1997

Guidelines for your Case Analysis Reports

The course outline shows a number of topics (or sub-topics) whose assigned reading includes articles from Finance & Development. For each such (sub)-topic and set of related articles, you will be asked to write a brief report. In your report you should:

- indicate the purpose of the article(s)
- identify some of the main economic development issues or concepts discussed in the article(s)
- identify the portions of the article(s) that are relevant to the topic listed in the course outline
- explain the connection(s) you see between the identified segments of the article and the topic.

Your report is intended to demonstrate your understanding of the topic under review, and should be no more than a page long. Your score on the review will reflect the number and strength of the connections you are able to identify.

An example:

Article #2, Trade Reform in Latin America and the Caribbean (F&D, September 1993, pp. 44-47), listed in connection with Markets vs. Government Intervention in a Developing Economy.

In this article, Alam and Rajapatirana use the case of the trade reforms instituted in many Latin American and Caribbean countries in the 1980s to highlight the key to successful reform in LDCs.

Among the issues discussed in the article: the debt crisis of the early 1980s, trade liberalization, structural adjustment, the GATT, Non-Tariff Barriers, and the Uruguay Round of multilateral trade negotiations.

Among the portions that relate to the topic of Markets vs. Government Controls: Column 3 of page 44 (under "The Trade Reforms"), also the next section on "The Effects of Trade Reform," etc.

These are related because .... etc. etc.

Beth Anslinger
EC 339
October 21, 1997

Cases Analysis Report of Ajay Chhibber's "The State in a Changing Role," Article #12, (*Finance and Development*, September 1997, pp. 17-20)

Chhibber suggests that relying on market mechanisms alone as a development strategy is not viable because state involvement is key to economic and social development. The state needs operate well to provide the institutional structure needed for efficient market practices.

Several economic development issues such as state's role in enforcing law, GDP growth, unequal distribution of income, decentralization, and globalization are discussed in relation to Chhibber's institutional reform strategy.

All portions of the article closely relate to the topic of Market versus Government Intervention in a Developing Economy. Portions of the article include, "A Two-Part Strategy" for institutional reform, "Matching Role to Capability," "Reinvigorating Institutions," "Participation and Power," and "Global Collective Action," and "Removing Obstacles to Reform."

These portions relate to the topic of Market versus Government Intervention in a Developing Economy because Chhibber uses these portions of the argument to suggest that the government should provide the institutional support needed for efficient market practices. Through improving the quality of state services, the market benefits. The section "A Two-Part Strategy," addresses the importance of the state's ability to match the extension of its services with its resource capacity and the state's need to have the insitutional capability to pursue its objectives. Furthermore, decreasing institutional corruption, promoting competition, and raising the pay of state officials increase the capability of the state by strengthening state institutions. In "Matching Role to Capability," the state's role in enforcing law is vital to market transactions, and state credibility is also related to GDP growth. A connection is drawn between unequal distribution of income and the ability to influence state politics in this section. Under the sub-topic "Reinvigorating Institutions," management practices are discussed in relation to competition, partnerships, and rules. The relationship between government intervention and the market is most directly discussed with repsect to decentralization in the sub-topic "Broadening Participation" of the topic "participation and Power." Decentralization is key to more efficient management practices, but can also increase inequality, threaten macroeconomic stability, and lead to corruption at the local level. In "Global Collective Action," the need for states to recognize how globalization impacts regional conflicts, investment flows, the environment, the dissemination of technology, and international aid is addressed. In "Removing Obstacles to Reform," Chhibber explains that the state can implement policies that impact macroeceonomic stability quickly, but institutional changes in the provision of infrastructure and social services affect the market over the long term.

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The article "How Can States Foster Markets?" by Brian Levy discusses how state intervention is necessary in some aspects of developing a market economy but also how intervention is sometimes harmful. The entire article deals directly with the topic listed in our course outline: "Markets versus Government Intervention in a Developing Economy." Levy breaks down his discussion into four main areas: property rights, information and coordination, regulation of utilities and banking, and industrial policy. He states how in certain areas, such as property rights, state intervention is more clearly defined while in other areas, such as industrial policy, the issue is debatable. One main point that Levy states is that government intervention in any of these areas "should be determined by their institutional capability."

Brian Levy's discussion about property rights is highly relevant to our outline topic, Markets vs. Govt. Int. because we have discussed how property rights are essential to maintain an environment where development can take place. Levy argues that when property rights are absent then development is stagnant. He points out that as business transactions become increasingly more complex- formal mechanisms must be put in place to oversee them. Here he also reiterates that a strong institutional capability must exist if property rights reform is to be successful.

Next Brian Levy goes on to discuss the how the state may influence the amount of information available within an economy or society. He also shows how this availability of information relates to the amount of coordination between different businesses and organizations. Again, these issues are directly related to our topic. Levy states that a lack of information may inhibit development. Businesses may lack knowledge of potential profitable opportunities, or prohibited practices. A lack of coordination is then apparent due to the lack of information. Levy argues that the state has a role to alleviate these problems through "regulation and industrial policy." But here again, Levy states the amount and level of regulation is dependent upon the institutional capabilities of the government. The government must be able to manage the technical complexity and also not stray into unpredictable enforcement. Levy's discussion on regulation details some of the areas where he feels government intervention is necessary. He details some of the public benefits from regulation: conservation of the environment, protection of consumers and workers, and safeguards against monopolies. Two areas that he specifically talks about are the regulation of utilities and the regulation of banking. Levy shows how state intervention in both of these areas is necessary for the market to function. However, here again the state must have the institutional capability to regulate these areas. The last area that Brian Levy talks about, and which relates to our topic, is industrial policy. Industrial policy may spur development or it may inhibit it. In economies where there is a lack of information and coordination the government can pursue an industrial policy where these problems are handled. But again, Levy states, this is dependent upon the institutional capabilities of the state.

excellent

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Department of Economics

Course Number:	EC 339W	**Time:**	Fall 1996, MWF 10:30 - 11:30
Course Title:	Economic Development I	**Location:**	Keith 136
Prerequisites:	EC 121 and EC 122		
Instructor:	Dr. Yaw A. Asamoah	**Office:**	Keith 145
Office Hours:	MF 11:30 - 12:30, TR 1:15 - 2:45, and by appointment.	**Telephone:**	357-2641
		E-mail:	OSEBO

About the Course:
In addition to helping you understand the processes that foster the economic growth and development of nations, **this writing-intensive course aims at helping enhance your writing skills.**

In this course students will: (1) learn about the processes of, and the distinction between economic growth and economic development; (2) be introduced to theories of economic growth, and the patterns of growth which foster a more rapid economic development; (3) develop an understanding of the role played by interest group politics and government policies in the economic development of nations; (4) grapple with policy problems based on sectoral issues such as agriculture, industry, trade, and finance; and (5) learn about the role of international economic relations in economic development.

Course Policies and Requirements:
Required Purchases:
1. (Text) Malcolm Gillis, et al, Economics of Development, 4th ed., Norton, 1996.
2. (Course Packet) *Pro-Packet* Class Packet # 53 prepared for this class.

Recommended Reading:
1. The *Wall Street Journal* (daily)
2. The *Economist* or *BusinessWeek* (weekly)

Course Requirements:
Instruction in this class will make heavy use of diagrams. You should therefore be familiar with the construction and interpretation of simple graphs.

The final grade will be determined by the following scheme:

Item	% of Final Score
Midterm Exam	20
Final Exam	25
In-Class Activities	15
Case Assignments	15
Country Study Paper	25
TOTAL	100

Typically, a student who earns a weighted score of 80% or more makes an A for the semester, a score between 70 and 79% is typically a B, and so on; a weighted score below 50% reflects a failing grade.

The midterm and final exams will consist of short-essay questions. Both exams will be based on material presented in class and on the assigned readings. The date for the midterm will be announced at least a week before the exam; the final will be given as scheduled (i.e., on Monday, December 16, 8:00-10:00 a.m.). Please make your travel plans for the holiday season so as not to miss your scheduled final exam. I will give a rare make-up exam for those who can present a good reason--preferably *before* the exam--for missing it. (For examples of a "good" reason, please see below). If you fail to attend an exam, you will be given a zero unless you convince me that your absence was due to circumstances beyond your control.

I will give several collaborative or group assignments in class. I will also give at least three case assignments in which you will be asked to assume the role of the President's chief economic advisor in a developing country. Your task would be to write a memo advising the President on a given economic situation or problem. You will also be required to write a 12-page country study paper surveying an under-developed economy you will choose from a list of countries. Your paper will be the outcome of several mini-projects that will be assigned during the semester. You will be issued a handout on the country paper in the second week of the semester.

I do not accept late assignments. There will be no make-up assignments. Missing an assignment would mean an automatic zero for it unless you can document that you had to miss class for reasons of ill-health, family emergency, or participation in an approved university team activity. Students who provide a satisfactory reason for missing an assignment will be excused from it. Although class attendance is not required, I expect you to attend class. Absences will cost you a share of the points you can earn through class participation and the in-class group assignments. If you miss class I would expect you to find out what you missed *from your classmates.* Students tend to do better in my classes if they review the course material ahead of time, pay attention in class, and actively participate in class. Because class participation is required, you are expected to read ahead, familiarize yourself with the technical terms and graphs, and to otherwise prepare for in-class discussions. I also expect you to ask for help when you need it. If my office hours are not good for you, please let me know so that we may arrange a mutually agreeable time.

Policy Regarding Academic Dishonesty

IUP's Academic Integrity Policy (published in the *Undergraduate Catalog* and the *IUP Student Handbook*) warns students against providing or receiving unauthorized assistance in course work and during exams. It also forbids the use of unauthorized materials or devices during exams, and plagiarism. Because plagiarism is a serious violation of academic integrity in every academic community, it is especially important that you understand what it is, and to resist any temptation to plagiarize.

Finally, please note that **the deadline for withdrawing from this course is 4:30 p.m. Friday, November 1.**

Course Outline

Week	Topic	Reading Assignment
1	**Characteristics of Less Developed Countries (LDCs)**	Chapter 1
		Chapter 2, pp. 18-29
2	**Growth versus Development**	
	1. Meaning of economic growth, of economic development	Chapter 1, pp. 8-17
		Chapter 4, pp. 68-87
	2. Measurement of Growth, measures of economic development	Chap. 3, pp. 36-41
	3. Growth and Development in Historical Perspective	
3	**Theories of Growth**	Chapter 3
	1. The Harrod-Domar Growth Model	
	2. The Neo-Classical Growth Model	
	3. The Classical (Ricardian) Model	
	4. The Lewis Growth Model	pp. 51-57,
		Chapter 4, pp. 88-90
4.	**Markets versus Controls in Development**	Chapter 5
	1. The Market Mechanism: Strengths & Failures	
	2. Controls: their Appeal and Roots of their Failure	
	3. Restructuring: Painful Transition to Market Forces	
5 & 6.	**Population**	Chapter 8
	1. Patterns of World Population Growth	
	2. Demographic Transition	
	3. Theories of Fertility Behavior	
	4. Population Policy	
7.	**Finance and Development**	Chapters 12-14
	1. The Role of Finance in Development	
	2. Inflation: Sources and Effects	
	3. Shallow Finance vs Deep Finance	

8 & 9. **Poverty, Inequality & Human Resource Development**

1. Growth and Income Distribution	Chapter 4
2. Employment and Unemployment	Chapter 9
3. Education	Chapter 10
4. Health and Nutrition	Chapter 11

10. **Agriculture & Natural Resources** — Chapters 18 & 7

1. The Role of Agriculture in Development
2. The Performance of Agriculture in LDCs
3. Explaining the Poor Performance of LDC Agriculture

11. **Industry and Technology in Development** — Chapter 18

1. The Role of Industry in Development
2. The Performance of Industry in LDCs
3. Concepts and Issues in LDC Industrialization
4. Choice of Industrial Technology in LDCs

12. **Trade and Development**

1. Is Trade an Engine of Growth?	Chapter 17
2. Primary Export-Led Growth	Chapter 17
3. Import Substitution	Chapter 19
4. Export Substitution	

13. **Managing the Balance of Payments**

1. The Balance of Payments	Chapter 20
2. Balance of Payments Crises	
3. Coping with Foreign Debt	Chapter 15

EC 339W Economic Development I
Fall 1996
Dr. Asamoah

Your Country Study Paper (in Stages)

Writing Project 1

Write a one page "exploratory" report on the LDC you have chosen as the subject of your country study paper. This introductory section of your paper should be typed, and should cover items such as the country's geographical setting, its history, resource base, the economic and cultural characteristics of the population, the country's class structure, the economic relationships with its trading partners, and any other bit of pertinent information.

After you finish writing your report, make as many revisions as you think are needed, and re-write it. You should attach to your report a map showing the geographical location of your chosen country (an indication of the neighboring countries on your map is recommended). **(Due date: Friday, September 13, 1996)**

Writing Project 2

Outline four or five identifiable development strategies which your subject country pursued over the period which you intend to write about. Indicate the relationship between the items you enumerated in your first project and these strategies.

[If you are having trouble identifying a development strategy for your adopted country, please ask me in class, or see me during my office hours in order to explore the possibility of researching new material on your country of choice, or of choosing another less developed country on which you can find sufficient data to finish this portion of your project. Keep in mind though, that if you choose another LDC, you will have to re-do project 1 for your newly-chosen country.]

Page Limit: two pages, double-spaced. **(Due Friday, September 27, 1996)**

Writing Project 3

For each development strategy you identified for your subject country in Project 2, describe the economic policies that were put into effect in support of that strategy during the period under review. Next, for each policy or set of related policies you outline, discuss the social, political and economic forces that might have given rise to these policies.

[If you are having trouble identifying a development strategy and its associated policies for your adopted country, see me during my office hours in order to explore the possibility of researching new material on your country of choice, or of choosing another less developed country on which you can find sufficient data to finish this portion of your project. Keep in mind though, that if you choose another LDC, you will have to re-do projects 1 and 2 for your newly-chosen country.]

Page Limit: three pages, double-spaced. **(Due Friday, October 11, 1996)**

Writing Project 4

For your next project, concentrate on the specific steps taken by the government of your subject country to carry out the policies in question. Provide the economic rationale behind the use of these government actions (i.e., use your knowledge of the economic principles you have learnt so far to explain why such actions make sense in theory), and evaluate the effectiveness of the policies, using data to support your conclusions. Page limit: 3-4 pages, double-spaced. **(Due Friday, November 1, 1996)**

Writing Project 5

For this project, submit the final installment on the distributional aspects of your subject country's policies: this two-page (double-spaced) piece should identify the economic sectors, geographical regions and political interest groups which benefitted from, or were hurt by the identified policies or strategies. **(Due Friday, November 15, 1996)**

Last and Final "Project"

Your composite country study paper combining the several pieces that were written earlier is due **in class on Monday, December 9**.

Keep in mind that this 12-page paper is designed to get you to apply theories of economic development to the growth experience of a real nation, to help you understand the role which interest group politics and government policies, among others, play in the development process, and to provide you a vehicle for "showing off" your research and writing skills. Since this paper is intended to be the outcome of our multi-stage writing process, I expect you to have made use of any previously offered ideas and suggestions. (In order to verify this, I would like you to turn in the pieces you wrote in Writing Projects 1-5.)

There will be a penalty of 5% points for every extra day you miss after the Dec. 9 deadline.

GUIDELINES FOR WRITING THE COUNTRY PAPER

Assume that you are an economic analyst at Armstrong Manufacturing and Mining (ARMM). ARMM is a U.S.-based manufacturer with a strong interest in developing natural resources in the developing world. It produces its own components or semi-finished goods in LDCs, and exports them to its manufacturing plants in the U.S. It also has a keen interest in developing new markets for consumer goods in the Third World. Your division manager has asked you to prepare for him a brief but comprehensive economic report on the country you have chosen. The report should focus on the state of this country's economy in the last 20 years, and your assessment of its prospects in the next 10 years. Your manager has indicated that his recommendation on ARMM's future investment strategy with respect to this country will be based on your report.

Your paper should be organized into three major parts: an introduction, a development performance section, and a concluding paragraph which projects future changes in the selected country's economy.

A. Introduction: the geographical setting, history, resource base; the economic and cultural characteristics of the population; its class structure, etc.; economic relations with trading partners, etc.

B. Analysis of "development performance," and/or an evaluation of the country's identifiable development strategies and their results.

1. Examine the economic policies that were put into effect during the period under review.

2. Outline the social, political, and economic forces that gave rise to these policies.

3. What concrete steps the government took to carry out these policies; the economic rationale behind the use of these government actions.

4. How effective these policies have been; the use of data indicators to support your conclusions.

5. The sectors (and regions) of the economy that benefitted from these policies or strategies, and those that were hurt; the economic interest groups that gained, those that lost.

C. On the basis of this performance, what are your projections for the opening years of the 21st Century?

Section B is obviously the core of the paper. For some countries, it may be a good idea to divide the period under review into phases so that your discussion of the economic policy changes might be more focused.

My grading scheme will reflect the relative importance of the sections of your paper. Section A is worth 10 percentage points, B and C together are worth 70 points. The remaining 20 points will be awarded on the basis of the style of your paper: its organization, your spelling, grammar, use of references and their proper citation, use of data sources, etc.

Two very important reference resources are the World Bank's Annual publication, *World Development Report 199X*, and the UN Development Program's *Human Development Report 199X*. Most annual editions are available in the Reference Stacks in Stapleton Library. Each year's edition of these publications provide important analysis of many major topics in development, and an evaluation of the state of the developing world. They also provide a lot of data on socio-economic indicators for over 100 countries. Also please find out whether the *Economist* has conducted a survey of your chosen country in recent years. These surveys are extensive, very informative and are likely to be very helpful.

Other useful data sources include:

* U. N. Statistical Yearbook
* U. N. Yearbook of National Accounts Statistics
* U. N. Yearbook of Industrial Statistics
* U. N. Demographic Yearbook
* U. N. Yearbook of International Trade Statistics
* The International Monetary Fund's International Financial Statistics

LDCs on which our Library appears to have some research material on:

Examples of Development Strategies

1. Expanding/Promoting Traditional Export

2. Diversifying Exports
   - new industries
   - tourism

3. Population control

4. Economic Reform
   Fiscal (Budget) Reforms
   Monetary/Banking Reforms
   Market Reforms (lifting controls on various prices)
   Trade Reforms (removing import quotas, removing exchange controls, etc.)

Development Strategy 1
"Promotion/Expansion of Traditional Exports"

To put this in to effect:

1. Better incentives including, for example, tax incentives for traditional exports?
2. Price Reforms?
3. Special foreign exchange allocation to export sector?
4. Efforts to develop new markets? for exports?

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Project #1

The Republic of Korea, a nation of 38,035 square miles, is located on the eastern edge of Asia. South Korea, as it is more commonly known as, is a peninsula situated between Manchuria, the Yellow Sea, and the Sea of Japan. The first inhabitants of Korea appeared about 700,000 years ago. Korea's history dates back to 2333 B.C., although this date is often disputed. In the first century B.C. Korea was divided into three kingdoms: Koguryo, Paekche, and Shilla. In 668, Shilla consolidated the three kingdoms into one. Korea was under the rule of a single government until it was annexed by Japan in 1910. In 1945, Korea once again gained independence. At that time, it was divided into the Republic of Korea in the south and the communist Democratic Peoples Republic of Korea. The Republic of Korea is now occupied by 45,400,000 (1994) inhabitants.

South Korea's resource base is quite limited. Rice and barley are its two largest grain crops. Because only 23% of the land is cultivable, these crops are used solely for domestic purposes. Fishing is another natural resource important to Korea. Most of this is exported, with the majority going to Japan. Other resources include anthracite coal, iron ore, tungsten, and to a very limited extent: copper gold and silver. Finally, and incredibly important, is Korea's labor force. Traditionally located in rural areas, the labor force has found its way into more urban areas. Presently, 76% of the Korean population live in urban areas, enticed there by the rapidly expanding industrial sector. Korea has become a major player in such industries as shipbuilding and assembly of many high technology products. In 1991, only 16% of the labor force remained in the primary sector, accounting for only 8% of GDP for that year. In the early part of this decade, Korea has maintained an unemployment rate of 2.5%.

Education is the main cultural characteristic in Korea. It has about 560 colleges and universities, with enrollment totaling 1.5 million. People with high levels of education are highly respected. School ties are a very important part of this society. Even in the past, when education was limited, classmates have remained in close contact with each other throughout their lives. Other social groups include: business and trade organizations, and veteran's organizations.

In the past, Korea consisted of a four-tier class structure. The ruling class, yangban, held the most influential government positions. Under them were the chungin, who held lower positions in the government. Next, there were the sangmin, or commoners. Finally, at the bottom were the chonmin, or "despised people." Although this formal class structure was eliminated at the end of the 19th. century, the class divisions remain to this day.

Korea has traditionally been known as an export nation, with high tariffs and trade barriers. This view is rapidly changing, due in large part to President Kim Young-Sam. In 1993, President Kim Young-Sam implemented a policy known as segyehwa, or "total globalization." Tariffs have been lowered, trade barriers have been brought down, and foreign investment is now encouraged. In 1995, Korea had a trade deficit of $10 billion, exporting $125 billion worth of goods and services and importing $135 billion worth. The largest trading partners of Korea are the United States and Japan. Major exports from Korea include: electronics, automobiles, steel, and textiles. Major imports include: oil, gas, concrete, high-end machinery, and technology products. Korea currently belongs to the 18-nation Asia-Pacific Economic Cooperation and is working on becoming a member of the Organization for Economic Cooperation and Development.

EC 339
Project 2

The Republic of Korea has experienced rapid economic development in the past thirty years. This has been the result of their Five-Year Plans, which outline Korea's economic goals and strategies for a five year period. The major economic strategies that Korea has pursued in the past thirty years have been: (1) the establishment, promotion, and achievement of "self-sustaining economic development;" (2) industrial restructuring; (3) becoming an export-driven economy; (4) stabilizing prices; and (5) improving technology.

Project #3

The Republic of Korea has developed many economic strategies over the past thirty years in order to foster economic development. The five economic development strategies that I decided to focus on are: (1) the establishment, promotion, and achievement of self-sustaining economic development; (2) becoming an export-driven economy; (3) industrial restructuring; (4) stabilizing prices; and (5) improving technology. In order to achieve these goals Korea had to institute various economic policies in support of the strategies. This paper will explore these policies and it will also highlight the social, political, and economic forces that gave rise to these policies.

The establishment, promotion, and achievement of self-sustaining economic growth was the primary economic development strategy of Korea after General Park become president. The new government favored a market economy, although it was still highly structured. Because the old government had recently been overthrown, this made the political and social climate perfect for changing Korea's policy system. To do this Korea had to restructure their "tax, budget, monetary systems, financial markets, and foreign exchange markets" (Song, 1990: 130-131). The key to achieving self-sustaining economic development was to build up an industrial base that was suitable for fostering their plan of rapid economic growth. According to Hwang, this was achieved by implementing the following six policies:

> (1) Facilitating the construction of overhead capital.
> (2) Ensuring self-sufficiency in food-grain production.
> (3) Creating and expanding ... import substitution industries.
> (4) Overcoming the limitation of narrow domestic markets.
> (5) Attracting sufficient foreign capital to overcome the vicious cycle of poverty resulting from a shortage of domestic savings and investments.
> (6) Laying the foundation for sustained export growth to increase employment (1993:77).

Every nation must decide what type of trade policy they will employ in order to foster economic growth. Nations that promote free trade and focus on industrial, as opposed to depending on the primary sector for exports, tend to experience more rapid economic growth. Korea is a resource-poor country with a large supply of labor. According to Song, these two conditions led Korea to focus on industrial exports, where they could benefit from large production industries (automobiles, televisions, etc.) which rely on heavy investments of capital and economies of scale (p. 82).

Before the First Five-Year Plan, Korea's government favored import substitution. When the First Plan was implemented in 1962, Korea switched to suchul ipguk, "nation building through exports." General Park, who became president after a coup d'etat in 1961, put into effect a round of economic policies which prompted the growth of the Korean economy. To begin, the new government readjusted the overvalued won, the Korean currency. This made them more competitive in the international market and also increased export profits (Song, 1990: 34). In order to increase the amount and quality of capital used for exports, export-industries were given preference in loan acquisitions and were also given very low-interest loans. Another policy change was the restructuring of taxes. Tax exemptions were placed on customs and import commodities used in the production of exports, as well as business taxes and commodity taxes on exports (Song, p.34). The government gave businesses an incentive to export by lowering the prices charged for public utilities, reserving this privilege to firms that produced for export. The Korean government also helped trade in another way, by improving trade relations with other countries.

The social, political, and economic conditions of the time were exactly what were needed in order to expand their industrial exports. People were moving away from farms, and away from traditional values, into industrializing cities. People were also becoming more educated and more profit oriented. With the recent military takeover, it was a perfect time to change the trade policies Korea had employed in the past. Because of the rapid increase in industrialization, the poor resource base, and the large supply of labor, the economic conditions were right for the switch from import substitution to export substitution.

The fact that Korea has a poor resource base and that it relied on exports made it essential to speed up industrialization. Therefore, the government promoted heavy and chemical industries (such as machinery and shipbuilding). According to Cho and Kim (pp. 443, 447), the government enacted several policies to restructure industry. The National Investment Fund was set up to extend loans to heavy and chemical industries (HCI's). In addition, these industries were given tax incentives and protection from competition. After the military takeover by General Park, public enterprises proved to be a key element in economic development. The government set up public enterprises wherever they felt private companies could not efficiently or effectively run them on their own. The political force behind South Korea's industrial restructuring was their desire to catch up with the level of industrialization previously achieved by North Korea.

The Korean government, under General Park, promoted expansion of existing firms rather than increasing the number of firms in a given industry. Government regulation was severe. In the early 1980's, the general population realized the large gap between large and small firms and demanded greater equity. This led to policy changes, notably of the promotion of small firms and more privately owned industries.

After the Korean War, the Republic of Korea experienced repeated, vicious inflation. Obviously, this created discontent in the population. There was excess demand that put pressure on prices to rise, thus burdening the poor. In order to combat this problem, the government enacted many political measures. First, they raised interest rates to a level that was more closely related to the free market level. After the initial increase in interest rates, they were lowered slowly in order to take pressure off of businesses. According to Cho and Kim, the government also stimulated domestic production (increasing supply), restructured foreign exchange, and eased trade policies (1991: 51). In 1972, the August Economic Emergency Measures helped to stabilize prices. With the two oil crises of the mid- and late-1970's, Korea imposed stiff taxes on oil products, imposed strict price-controls, and devalued their currency. In the late 1970's and early 1980's, they enacted anti-trust laws.

Since implementing the first four economic strategies over the past thirty years, Korea has experienced phenomenal economic growth and development. Per capita GNP was, in 1993, U.S.$8,470, this compares with less than U.S.$100 before these strategies were employed (Economist, June 3, 1993: pages 1,7 of the survey). In addition, nearly every aspect of Korean life has improved. Looking toward the 21st. Century Korea knows that the best way to continue this rapid growth is by improving technology. Until very recently, little money was put into research and development. After the anti-trust laws were enacted and President Kim liberalized the economy, firms have faced greater domestic competition. They are now forced to find more efficient means of production. This will facilitate the need for more research and development in order to improve technology.

The development strategies that Korea have pursued over the past thirty years were crucial to its development. Even more important, however, were the creation and implementation of the policies that would be needed if the strategies were ever to be fulfilled. As noted throughout, the social, political, and economic conditions of the time created the need and opportunity for these policies.

Project #4

The Republic of Korea has been very successful in achieving a high level of economic development in the past thirty years. Korea developed economic strategies and implemented various policies in order to realize their goals. In the following pages I will provide the economic rationale behind the government's use of these policies and I will also evaluate the effectiveness of the policies.

In the early years of Korea's economic development they focused on the establishment, promotion, and achievement of self-sustaining economic growth. Facilitating the construction of overhead capital was one of the six policies that were implemented to achieve its goal. This included increasing electric power production, and expanding transportation and communication. By increasing electric capacity, businesses are able to produce more and do so at a lower price. These improvements would create better knowledge between consumers and producers, among consumers, and among producers. They also make it easier for producers to more efficiently move their product, as well as opening up many new markets. This last benefit relates to another policy that Korea implemented: overcoming the limitation of narrow domestic markets. This was done in order to increase production, employment, lower prices, and better satisfy the needs and wants of consumers. This was accomplished by the expansion of the national highway system. The results of these actions were significant. Electric capacity doubled in just the first six years. Railways increased from a mere 240 kilometers to almost 1700 kilometers. The creation of major highways helped to improve Korea's level of development in several ways. First, it created a more efficient and effective means of transporting goods from producers to consumers. According to the Korea Development Institute, it widened rural markets by providing a better means of distributing agricultural products. Many factories were built near these highways. They also increased sightseeing. In 1961, roads contributed to 8.1% of freight transportation and 45.5% of passenger transportation. By 1973, these figures were at 19.8% and 73.6% respectively (1975: 241). What all this adds up to is increased production, more diverse markets, and increased employment and incomes.

The next policy was to ensure self-sufficiency in food-grain production. Prior to implementing this policy Korea depended on the U.S. for much of its rice and grain intake. This suppressed prices and income for grain producers, giving domestic farmers little incentive to produce. By eliminating the need for this type of foreign aid, Korea would be able to increase prices, income, and stabilize the domestic market of grain production. With the formation of many government projects during the first two Five-Year Plans this is exactly what happened. Another policy that was related to this one called for import substitution. The rationale for this policy was that it creates new jobs, opens up new markets, and makes Korea less dependent on other nations. This means that Korea gains more power in the world market. An example of this was iron and steel production. Up until the early 1960's, Korea had to import most of its steel needed iron and steel products, due to the fact that domestic production was only 148,000 tons of both in 1960. This number increased to 931,000 tons by 1972. Not only did Korea now produce enough to satisfy its domestic needs, but was now able to export some of its iron and steel products.

The next policy under this strategy was to attract foreign capital. This makes more money available for domestic investment which couldn't be raised domestically due to the insufficient level of savings. Foreign investment in Korea has increased rapidly in the past thirty years. In 1965, foreign investment totaled $600,000. By 1988, that figured had increased to $894,100,000 (Both figures are in 1988 dollars.). The final policy under this strategy was to build an industrial base for exports. This allows a nation to advance from import substitution to being export driven. This was needed in order to improve Korea's trade balance and also to increase the size and scope of the market for Korean goods and services. The results of this policy will be explored in the next section.

The second strategy was to become more export driven. The first policy that was enacted under this strategy was to readjust the overvalued won. This was important because it made the price of Korean products reflect their value. This would make their products more attractive and competitive on the world market. The won, which in 1960 was valued at 65 won/U.S.$1 was reduced in half in one year and reached a low in the 1980's at 890.2 won/U.S.$1. Another policy was to increase the amount of loan acquisitions given to export-industries. They were also given tax exemptions and reduced prices charged for public utilities. These policies would make it easier to expand production as well as reducing cost, making it more enticing for new firm to enter the market and for previously established firms to expand capacity. As a result, Korea's exports went from $133 million in 1960 to over $60,000 million in 1988. Their trade balance went from -$310 million to $8,848 million over that same period (Song; 1993:60-61).

Increasing industrialization was the third strategy which was used to foster economic development. This was to be accomplished by the promotion of heavy and chemical industry (HCI's). The National Investment Fund was set up to extend loans to HCI's. Although the National Investment Fund was not large enough to meet the demands of HCI's, the government stepped in to insure that enough commercial loans would be guaranteed in order to sufficiently cover demand (Cho and Kim, 1993:442). In addition, HCI's were given tax incentives and protection from competition. All three of these policies would foster the growth of Korea's industrial base. It does so by making it easy for firms to obtain loans to expand production, makes it cheaper to produce its products, and keeps prices artificially high in order to keep their profit margin higher than under greater competition. The government also set up public enterprises where it felt that private companies could not efficiently or effectively run them on their own. Another rationale of this strategy was national security, coming out of fears about the Vietnam War. The results were extraordinary. Industrial complexes increased from just a few thousand in the early 1970's to several hundred thousand in the early 1980's. Korea's shipbuilding became one of the largest in the world. Korea's industrial base is now comparable to many developed nations.

The final strategy that I explored was alleviating the vicious cycle of inflation. The first economic policy that was enacted was the raising of domestic interest rates to a level that more closely related to the free market level. This would reduce the number of loans sold, thereby reducing the public's spending power and increasing the domestic level of savings, which had long been insufficient to meet the level of business investment demand. The government also stimulated domestic production. By increasing supply firms put downward pressure on prices. The August Economic Emergency Measures were implemented to stabilize prices. These measures made it easier for firms to borrow money, and do so at lower interest rates. This has the effect of increasing output, thereby meeting the excess demand. The results of these policies were mixed. Between 1964 and 1965, inflation was reduced from 23% to only 5.8% (Song; 1993:60). With the two oil shocks of the 1970's, Korea's inflation rate climbed back over 20% per annum. In response to this, Korea implemented strict price controls and devalued their currency. Since 1982, Korea's inflation rate has not reached double digits.

Since Korea began implementing its Five-Year Plans, it has experienced a high rate of economic growth. It is not at all uncommon for Korea to experience double digit GDP growth rates. In fact, it is just as common as not. Korea's per capita income has increased from less than $100 in 1960 to $8,470 in 1993. It's domestic saving has increased from 2.9% in 1960 to over 30% in 1988, more than enough to match the demand for funds by businesses. Korea is truly a classic example of how well proper economic planning can bring a third world country into a developed status.

Project #5

After reviewing the numbers on Korea's Economic Development, it is easy to see that they have experienced rapid economic growth over the past thirty years. Korea was able to successfully attain its goals outlined in its economic development strategies. The data clearly shows that Korea achieved self-sustaining economic growth, became export driven, increased industrialization, and was able to bring the level of inflation to a more acceptable level. Knowing that Korea has achieved such a high level economic growth does not give us the whole picture, however, while it is important to know that the economy has improved overall, it is probably more important to see which economic sectors, geographical regions, and political interest groups which benefited from, or were hurt by the economic strategies identified and the policies that were implemented to achieve Korea's goals.

The first economic strategy that was explored was the establishment, promotion, and achievement of self-sustaining economic development. The policies that were implemented here proved to benefit just about every economic sector, geographical region, and interest group in Korea. The construction of overhead capital reduced input prices for businesses and made it easier to transport their goods and services. The expansion of Korea's highways also benefited rural workers. It opened up a wider domestic market for both industrial and agricultural goods and services. Trading centers were built along these highways in traditionally rural areas. This also increased sight-seeing in the country side, helping boost rural incomes. In addition, there were increased industrial job opportunities for workers who lived in rural areas and better access to factory jobs. Import substitution was another policy that had widespread benefits, but this policy also hurt many. Companies first began producing domestically what had previously been imported flourished. This also gave Korea a more favorable balance-of-payment position. However, this hurt both consumers, who now had a smaller selection of goods due to reduced competition, and exporters.

The next strategy for Korea was to become more export driven. One of the groups that benefited from this was, obviously, companies that exported. The adjustment of the Korean currency, the won, made Korean products more attractive and competitive in the world market. With utility subsidies and tax exemptions, these companies made substantial profits. The Korean government also benefited from becoming export driven. It improved its trade balance dramatically, going from - $310 million in 1960 to $8,848 million in 1988. As a result, the government, was able to free up many resources previously used to pay for its trade imbalance for domestic purposes. However, problems resulted from the fact that firms that exported were given low interest loans and were guaranteed loans. This meant that firms that did not export and those in the agricultural sector found it hard to acquire loans. It also meant that lenders were pressured into giving low interest loans while Korea was experiencing vicious inflation, resulting in negative interest rates, making it very unprofitable for lending institutions. In order to successfully promote exports Korea had to switch from using its policy of import substitution. This hurt those domestic producers that had previously been producing for the domestic market. While the adjusting of the overvalued won made Korean exports more competitive, it hurt domestic producers that depended on imports for their production, since the Korean price of imports increased dramatically.

Increasing industrialization also led to mixed results. Korea's industrial base was greatly expanded. This helped large businesses and the government. The government preferred to expand existing companies instead of promoting new firms from entering the market. This resulted in very little competition in this market. This created artificially high prices for their products, resulting in large profits for those firms that were allowed to operate. The government set up public enterprises wherever they felt private firms could not effectively and efficiently run them on their own. This made the government more powerful. At the same time, small independent companies were forced out of the market. This gave consumers few choices among products. This also made the distribution of income more unequal.

The final strategy was alleviating the vicious cycle of inflation. It halted the devaluation of the won, which made repaying foreign loans easier, stabilized prices which helped savers and banks, but hurt borrowers. Lower price levels that resulted from increase in demand helped both industry and consumers. The policy of increasing interest rates to reflect free market levels led to a substantial increase in domestic savings. This helped savers, higher-income asset owners, and banks. It hurt both borrowers and people in interest-sensitive industries. This also meant that firms are less dependent on foreign investment to finance their projects, improving Korea's balance-of-payments balance. In addition, higher domestic interest rates and lower levels of inflation have made lending institutions more profitable and more stable.

The Republic of Korea, a nation of 38,035 square miles, is located on the eastern edge of Asia. South Korea, as it is more commonly known as, is a peninsula situated between Manchuria, the Yellow Sea, and the Sea of Japan. The first inhabitants of Korea appeared about 700,000 years ago. Korea's history dates back to 2333 B.C., although this date is often disputed. In the first century B.C. Korea was divided into three kingdoms: Koguryo, Paekche, and Shilla. In 668, Shilla consolidated the three kingdoms into one. Korea was under the rule of a single government until it was annexed by Japan in 1910. In 1945, Korea once again gained independence. At that time, it was divided into the Republic of Korea in the south and the communist Democratic Peoples Republic of Korea. The Republic of Korea is now occupied by 45,400,000 (1994) inhabitants.

South Korea's resource base is quite limited. Rice and barley are its two largest grain crops. Because only 23% of the land is cultivable, these crops are used solely for domestic purposes. Fishing is another natural resource important to Korea. Most of this is exported, with the majority going to Japan. Other resources include anthracite coal, iron ore, tungsten, and to a very limited extent: copper gold and silver. Finally, and extremely important, is Korea's labor force. Traditionally located in rural areas, the labor force has found its way into more urban areas. Presently, 76% of the Korean population live in urban areas, enticed there by the rapidly expanding industrial sector. Korea has become a major player in such industries as shipbuilding and assembly of many high technology products. In 1991, only 16% of the labor force remained in the primary sector, accounting for only 8% of GDP for that year. In the early part of this decade, Korea has maintained an unemployment rate of 2.5%.

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In the past, Korea consisted of a four-tier class structure. The ruling class, yangban, held the most influential government positions. Under them were the chungin, who held lower positions in the government. Next, there were the sangmin, or commoners. Finally, at the bottom were the chonmin, or "despised people." Although this formal class structure was eliminated at the end of the 19th century, the class divisions remain to this day.

Korea has traditionally been known as an export-driven nation, with high tariffs and trade barriers. This view is rapidly changing, due in large part to President Kim Young-Sam. In 1993, President Kim Young-Sam implemented a policy known as segyehwa, or "total globalization." Tariffs have been lowered, trade barriers have been brought down, and foreign investment is now encouraged. In 1995, Korea had a trade deficit of $10 billion, exporting $125 billion worth of goods and services and importing $135 billion worth. The largest trading partners of Korea are the United States and Japan. Major exports from Korea include: electronics, automobiles, steel, and textiles. Major imports include: oil, gas, concrete, high-end machinery, and technology products.

Korea currently belongs to the 18-nation Asia-Pacific Economic Cooperation and is working on becoming a member of the Organization for Economic Cooperation and Development.

Since the end of the Korean War in 1953, South Korea has experienced exceptional economic growth and development. After the war, GNP per capita was less than $100. Today that figure has risen to almost $8500 per capita. There have been several reasons for this rapid growth: rapid reconstruction after the war, the Korean government's Five Year Economic Development Plans, and the end of authoritarian government control in 1987.

After the Korean war, South Korea had no particular economic strategy. They relied heavily on "import substitution, foreign assistance, and over-valued exchange rates" (Frank, et. al., p.12). Foreign assistance came from the United Nations and the United States. According to Frank, et. al., this foreign aid was used to purchase much needed raw materials, food, and for investment in capital goods (p.12, 1975). The substantial increases in the domestic money supply , however, led to high levels of inflation. This in turn caused the value of their currency, the won, to become overpriced. With an overvalued currency Koreans were able to import more foreign goods, while at the same time decreasing the demand for their exports. So, while Korea was able to rebuild rapidly after the war, they had no clear path to economic development. That is, until 1962.

In 1962 Korea unveiled its First Five-Year Economic Plan. The reasoning behind their Five-Year Plans (FYP) was to outline development strategies and the policies that would be needed to achieve them. The goals of the First FYP were to "create the economic legal framework, ensuring stability, promoting efficiency, and promoting equity" (Song, 1990:129). As goals are reached others take their place. There have been recurring themes in many of the plans, though. The major economic strategies that have been included in the first seven Five-Year Plans, and those that will be discussed in the remainder of this paper, are: (1) the establishment, promotion, and achievement of "self-sustaining economic development" (Song, 1990:136); (2) becoming an export-driven economy; (3) industrial restructuring; and (4) stabilizing prices.

One of the most important strategies, as evidenced by the fact that it was included in each of the first Five-Year Plans, was the establishment, promotion, and achievement of self-sustaining economic development. After the old government was overthrown in a coup d'etat in 1961, led by General Park, Korea favored a market economy, although it was still highly structured. Because the old government had recently been overthrown, this made the political and social climate perfect for changing Korea's policy system. To do this Korea had to restructure their "tax, budget, monetary systems, financial markets, and foreign exchange markets" (Song, 1990:130-131).

The key to achieving self-sustaining economic development was to build up an industrial base that was suitable for fostering their plan of rapid economic growth. According to Hwang, this was achieved through the government's implementation of the following six policies:

(1) Facilitating the construction of overhead capital.

(2) Ensuring self-sufficiency in food-grain production.

(3) Creating and expanding ... import substitution industries.

(4) Overcoming the limitation of narrow domestic markets.

(5) Attracting sufficient foreign capital to overcome the vicious cycle of poverty resulting from a shortage of domestic savings and investments.

(6) Laying the foundation for sustained export growth to increase employment (1993:77).

Facilitating the construction of overhead capital included increasing electric power production and expanding transportation and communication. By increasing electric capacity , businesses are able to produce more and do so at a lower cost. Expanding transportation and communication would create better knowledge and access between consumers and producers, among consumers, and among producers. It also makes it easier for producers to move their product, and to do so more efficiently. In addition, expanding transportation and communication opens up many new markets for producers to sell their goods and services. This last benefit relates to another policy that Korea implemented: overcoming the limitation of narrow domestic markets. This was needed in order to increase production and employment, lower prices, and better satisfy the needs and wants of consumers.

The results of these actions were significant. Electric capacity doubled in just the first six years alone. Railways increased from a mere 240 kilometers to almost 1700 kilometers. The construction of major highways helped to improve Korea's level of development in several ways. First, it created a more efficient and effective means of transporting goods from producers to consumers. According to the Korea Development Institute, it also widened rural markets by providing a better means of distributing agricultural products. Many factories were built near these highways. Highways also increased sightseeing. In 1961, roads contributed to 8.1% of freight transportation and

45.5% of passenger transportation. By 1973, these figures were at 19.8% and 73.6%, respectively (KDI, 1975:241). What all this adds up to is increased production, more diverse markets, and increased employment and incomes.

The next policy was to ensure self-sufficiency in food-grain production. Prior to implementing this policy, Korea depended on the U.S. for much of its rice and grain intake. This suppressed prices and income for grain producers, giving domestic farmers little incentive to produce. By eliminating the need for this type of foreign aid, Korea would be able to increase prices and income, and stabilize the domestic market of grain production. Because the amount of cultivable land in Korea is severely limited, its government focused on increasing the productivity of farmland. In order to reduce the dependency on weather, the government enacted the Law on Land Improvement Projects and the Nine-Year Water Resources Development Plan. This improved the irrigation on farms and protected against drought. Korea has also implemented policies to increase the price of rice and to stabilize the price of grain. As a result, staple food production rose by over 30% between 1962 and 1973. Rice production alone rose by almost 50%. Farm household income improved from an average of 68,000 won per year to 481,000 won, an increase of over 600%, during the same period.

Another policy that followed the same idea as self-sufficiency in food-grain production was import substitution. The rationale for this policy was that it creates new jobs, opens up new markets, and makes Korea less dependent on other nations. This means that Korea gains more power in the world market. An example of this was iron and steel production. Up until the early 1960's, Korea had to import most of its iron and steel products, due to the fact that domestic production was only a combined 148,000 tons for both in 1960. This number increased to 931,000 tons by 1972. Not only did Korea now produce enough to satisfy its domestic needs, but was now able to export some of its iron and steel products.

The next policy under this strategy was to attract foreign capital. This makes more money available for domestic investment which couldn't be raised domestically due to the insufficient level of savings. Foreign investment in Korea has increased rapidly in the past thirty years. In 1965, foreign investment totaled $600,000. By 1988, that figured had increased to $894,100,000 (Both figures are in 1988 dollars.). The fact that Korea had recently expanded transportation and communication and increased its favorability of the terms of trade through import substitution, made Korea an attractive place to invest. The final policy under this strategy was to build an industrial base for exports. This allows a nation to advance from import substitution to being export driven. This was needed in order to improve Korea's trade balance and also to increase the size and scope of the market for Korean goods and services.

The policies that were implemented in order to establish, promote, and achieve self-sustaining economic development impacted every economic sector, geographical region, and interest group in Korea. The construction of overhead capital reduced input prices for businesses and made it easier to transport their goods and services. The expansion of Korea's highways also benefited rural workers. It increased industrial opportunities for these workers by giving them better access to factory jobs. It opened up a wider domestic market for both industrial and agricultural goods and services. Trading centers were built along these highways in traditionally rural areas. This also increased sight-seeing in the country side, helping boost rural incomes. Achieving self-sufficiency in food-grain production helped to stabilize agricultural production as well as dramatically increase the incomes of farmers. Overcoming the limitation of narrow domestic markets increased the demand for producer goods and increased the availability of products for consumers. Import substitution favored local industrial entrepreneurs by giving them the opportunity to produce domestically what had previously been imported. Consumers, however, were now confined to purchasing only those products that could be produced domestically.

Every nation must decide what type of trade policy it will employ in order to foster economic growth. Nations that promote free trade and focus on industrial, as opposed to depending on the primary sector for exports, tend to experience more rapid economic growth. Korea is a resource-poor country with a large supply of labor. According to Song, these two conditions led Korea to focus on industrial exports, where they could benefit from large production industries (automobiles, televisions, etc.) which rely on heavy investment of capital and economies of scale (p. 82).

Before the First Five-Year Plan, Korea favored import substitution. When the First Plan was implemented in 1962, Korea switched to suchul ipguk, "nation building through exports." General Park, who became president after the coup d'etat in 1961, put into effect a round of economic policies which promoted the growth of the Korean economy. To begin, the new government readjusted the overvalued won, the Korean currency. This made them more competitive in the international market and also increased export profits (Song, 1990: 34). In order to increase the amount and quality of capital used for exports, export-industries were given preference in loan acquisitions and were also given very low-interest loans. Another policy change was the restructuring of taxes. Tax exemptions were placed on customs and import commodities used in the production of exports, as well as business taxes and commodity taxes on exports (Song, p.34). The government gave businesses an incentive to export by lowering the prices charged for public utilities, reserving this privilege to firms that produced for export. The Korean government also helped trade in another way, by improving trade relations with other countries.

The social, political, and economic conditions of the time were exactly what were needed in order to expand their industrial exports. People were moving away from farms, and away from traditional values, into industrializing cities. People were also becoming more educated and more profit oriented. With the recent military takeover it was a perfect time to change the trade policies Korea had employed in the past. Because of the rapid increase in industrialization, the poor-resource base, and the large supply of labor, the economic conditions were right for the switch from import substitution to export substitution.

One of the groups that benefited from this was, obviously, companies that exported. The adjustment of the Korean won made Korean products more attractive and competitive in the world market. With utility subsidies and tax exemptions, these companies made substantial profits. Firms that depended on imports for raw materials or intermediate goods, on the other hand, were hurt by the devaluation of the won. The Korean government also benefited from becoming export driven. It improved its trade balance dramatically, going from -$310 million in 1960 to $8,848 million in 1988. As a result, the government, was able to free up many resources previously used to pay for its trade imbalance for domestic purposes. However, problems resulted from the fact that firms that exported were given low interest loans and were guaranteed loans. This meant that firms that did not export and those in the agricultural sector found it hard to acquire loans. It also meant that lenders were pressured into giving low interest loans while Korea was experiencing vicious inflation, resulting in negative real interest rates, making it very unprofitable for lending institutions.

The fact that Korea has a poor resource base and that it relied on exports made it essential to speed up industrialization. Therefore, the government promoted heavy and chemical industries (such as machinery and shipbuilding). According to Cho and Kim (pp. 443, 447), the government enacted several policies to restructure industry. The National Investment Fund was set up to extend loans to heavy and chemical industries (HCI's). Where the National Investment Fund was not large enough to meet the demands of HCI's, the government stepped in to insure that enough commercial loans would be guaranteed in order to sufficiently cover demand (Cho and Kim, 1993:442). In addition, these industries were given tax incentives and protection from competition. All three of these policies would foster the growth of Korea's industrial base. It does so by making it easy for firms to obtain loans to expand production, makes it cheaper to produce its products, and keeps prices artificially high in order to keep their profit margin higher than under greater competition. After the military takeover by General Park, public enterprises proved to be a key element in economic development. The government set up public enterprises wherever they felt private companies could not efficiently or effectively run them on their own. The political force behind South Korea's industrial restructuring was their desire to catch up with the level of industrialization previously achieved by North Korea. Another rationale of this strategy was national security, coming out of fears about the Vietnam War.

Increasing industrialization has led to mixed results. Korea's industrial base was greatly expanded. This helped large businesses and the government. The Korean government, under General Park, promoted expansion of existing firms rather than increasing the number of firms in a given industry. Government regulation was severe. This resulted in very little competition in this market. This also created artificially high prices for their products, resulting in large profits for those firms that were allowed to operate. At the same time, small independent companies were forced out of the market. This meant that consumers had few choices among products. It also worked counter to those policies that were promoting a more equal distribution of income. In the early 1980's, the general population realized the huge gap between large and small firms and demanded greater equity. This led to several policy changes, notably the promotion of small firms and more privately owned industries.

After the Korean War, the Republic of Korea experienced repeated, vicious inflation. Obviously, this created discontent in the population. There was excess demand that put pressure on prices to rise, thus burdening the poor. In order to directly combat this problem, the government enacted many political measures. First, they raised interest rates to a level that was more closely related to the free market level. This would reduce the number of loans sold, thereby reducing the public's spending power and increasing the domestic level of savings, which had long been insufficient to meet the level of business investment demand. After the initial increase in interest rates, they were lowered slowly in order to take pressure off businesses. According to

Cho and Kim, the government also stimulated domestic production (increasing supply), restructured foreign exchange, and eased trade policies (1991: 51). In 1972, the August Economic Emergency Measures helped to stabilize prices. These measures made it easier for firms to borrow money, and do so at lower interest rates. This has the effect of increasing output, thereby meeting the excess demand. With the two oil crises of the mid- and late-1970's, Korea imposed stiff taxes on oil products, imposed strict price-controls, and devalued their currency. In the late 1970's and early 1980's, they enacted anti-trust laws.

The results of these policies were mixed. Between 1964 and 1965, inflation was reduced from 23% to only 5.8% (Song; 1993:60). With the two oil shocks of the 1970's, Korea's inflation rate climbed back over 20% per annum. In response to this, Korea implemented strict price controls and devalued their currency. Since 1982, Korea's inflation rate has remained in single digits. While this would seem to benefit every sector of the economy, there were some that suffered as a result. It halted the devaluation of the won, which made repaying foreign loans easier. Lower price levels that resulted from increase in demand helped both industry and consumers. The policy of increasing interest rates to reflect free market levels led to a substantial increase in domestic savings. This benefited those that do the saving, mainly higher income individuals. This also means that firms are less dependent on foreign investment to finance their projects, improving Korea's balance-of-payments balance. In addition, higher interest rates and lower levels of inflation made financial institutions more profitable and more stable. Those that suffered included domestic borrowers and people in interest-sensitive industries.

The development strategies that Korea has pursued over the past thirty years were crucial to its development. Even more important, however, were the creation and implementation of the policies that would be needed if the strategies were ever to be fulfilled. As noted throughout, the social, political, and economic conditions of the time created the need and opportunity for these policies.

Since Korea began implementing its Five-Year Plans, Korea has experienced phenomenal economic growth and development. It is not at all uncommon for Korea to experience double digit GDP growth rates. In fact, it is just as common as not. Its domestic saving has increased from 2.9% in 1960 to over 30% in 1988, more than enough to match the demand for funds by businesses. Per capita GNP was, in 1993, U.S.$8,470, this compares with less than U.S.$100 before these strategies were employed (Economist, June 3, 1995: pages 1,7 of the survey). Korea is truly a classic example of how well proper economic planning can bring a third world country into a developed status. In addition, nearly every aspect of Korean life has improved. Looking toward the 21st century Korea knows that the best way to continue this rapid growth is by improving technology. Until very recently, little money was put into research and development. After the anti-trust laws were enacted and President Kim liberalized the economy, firms have faced greater domestic competition. They are now forced to find more efficient means of production. This will facilitate the need for more research and development in order to improve technology.