Preface

This book investigates the dynamics of the relationship between social trust and economic development. The logical loop of the relationship runs both ways. On the one hand, as the economy of a country develops, not only the living standards, educational attainment, and social status of citizens, but also the nation’s institutions, urbanization, and industrialization stage change. This leads to changes in people’s perceptions and relationships with others, thereby changing trust among them. Economic development of a country also changes its society, including its social structures and organizations, thereby affecting people’s relationships in society and their social trust. On the other hand, social trust affects the economic performance of a country by influencing confidence of and cooperation among economic entities and costs in undertaking economic transactions. Social trust is critically important for social well-being as it underpins the constitutive elements of a society, such as the interrelationships among its members; hence social trust is not only a means of economic development, but also an end in itself.

The importance of social trust for economic development has been emphasized in the literature, while little attention has been paid to the effects of economic development on social trust. This book demonstrates that, for sustainable social and economic development, economic policy should explicitly take into account its effects on social trust as well as the reciprocal role of social trust on economic development. Certainly, further work is required to explore in greater depth the dynamic and complex relationship between them. As a precursor to this complex task, the specific case of South Korea (Korea hereafter) is investigated in this book. By contrasting it to existing theoretical and empirical studies in the literature, the Korean case will explore and illustrate specific issues arising from mutual relations of social trust and economic development.

Korea is a quintessential case for the task. Korean economic development stands as proof that a nation can leap from being one of the poorest in the world to joining the ranks of the richest in just one generation. Over the period 1963–96, the Korean economy surged, recording an annual growth rate of 8.9 percent. As a result, per capita gross domestic product (GDP) increased from $100 in 1963 to $13 000 in 1996, in which Korea became a member of the OECD ($ being USD in this book).
Korea’s economic miracle ended in 1997 with a financial crisis that crippled the economy. In response to the crisis, the Korean government vigorously undertook profound neoliberal reforms of the nation’s economic institutions. As a consequence, unlike other crisis-afflicted economies in the recent past, the Korean economy recovered swiftly in 1999, and became the world’s 11th largest economy in 2003. Since WWII, Korea has been the sole example of a country that has been able to shift from receiving foreign aid to providing foreign aid.

Korean society has drawn little attention, while it has accumulated various types of social irregularities and anomalies behind the façade of miraculous economic development. Korea’s suicide rate, perjury, libel, and fraud crimes, income inequality, poverty rate of seniors, and corruption are among the highest of the OECD countries. Korea’s social trust is one of the lowest among the OECD countries, while various types of social conflict prevail highly in society. Koreans’ happiness index and their life-satisfaction level are among the lowest of the OECD countries. In short, in spite of the country’s economic success, Korean society has become dysfunctional. Dysfunctional society has, in turn, become a drag on the country’s economic development.

Despite the sweeping neoliberal institutional reforms that occurred in response to the 1997 crisis and the country’s rapid recovery from it, the Korean economy entered a low potential growth phase from the dawn of the 21st century. Clear signals of sluggish economic performance have raised concerns in all walks of life in Korea about the consequences of a stagnant national economy, and the dimming prospect of crossing the threshold to advanced economy status. In order to reinvigorate the economy, consecutive governments have implemented various types of economic policies in the recent past, but they all have been of little avail. What explains the economic slowdown and unpropitious prospects for the Korean economy for the decades ahead? Why have conventional economic policies failed to invigorate the sluggish economy? In order to re-energize and fortify the economy and achieve the popular Korean aspiration to live in an advanced country with commensurate high social well-being, what should be done, by whom, and how? This book is an attempt to address these critical questions through analysing the dynamics of the relationship between social trust and economic development in Korea.

This book has a number of distinctive features. First, it focuses on the dynamics of the relationship between social trust and economic development, information that is indispensable in establishing a sustainable and equitable social and economic development strategy. The dynamics in this relationship have become increasingly important in the emerging globalization and information era. On the one hand, to maintain economic
Social trust and economic development

In this era of competitiveness and prosperity, it is imperative for a nation to improve its market efficiency and specialization, cooperation among economic entities, creativity, and innovation. For all these requirements for economic prosperity, social trust is an increasingly important variable, as it affects costs of economic transactions, and cooperation among international as well as domestic economic entities.

On the other hand, social trust is affected by economic progress which changes people's perspectives and relationships with others, thereby changing social trust. Social trust is also affected by economic institutions, including economic systems as well as formal rules and regulations, which are established in the process of economic development. These institutions are critically important for economic prosperity as well as social trust. As the world has witnessed through the collapse of socialism, differences in economic development among countries arise mainly from differences in the quality of their institutions. At the same time, persistence of institutional inefficiency, such as high law violations or corruption, is frequently a major cause of low social distrust. This book, therefore, examines social trust in Korea through multiple perspectives of social and economic institutions as well as economic development itself.

Second, the comprehensive approach of this book allows it to explore a rich array of pertinent topics across nine chapters, which are grouped into two sections, to present informative and across-the-board pictures of the dynamic relationship between social trust and economic development in Korea. They are all contrasted against and assessed by existing conceptual and empirical studies in the literature. Part I of this book, comprised of five chapters, explores the dynamic relationship between economic development and social progress as well as social trust from macro perspectives. The four chapters in Part II explore the micro-level relationships between recent economic development and social trust, including interpersonal trust and trust in government, business, and labour. Each of the relevant topics is investigated and assessed against the nation's socioeconomic objectives and in comparison with advanced OECD countries.

This book begins with Chapter 1, which surveys and reviews the literature on social trust, and develops a working definition of social trust and the conceptual framework that underlies the book. Then, Part I explores the evolution of the Korean economy and society and their macro-relationship over the last four decades. Recognizing the complementarity of multiple factors for economic development, the study investigates the role of social trust as one of the important development factors. This is done by comparing the levels of social trust and economic development of the so-called four Asian tiger economies (Singapore, Hong Kong, Taiwan, and Korea). Finally, Part I investigates the rising socioeconomic bipolarization...
in the recent past, which is one of the core causes underlying Korea’s dysfunctional society as well as its low level of social trust.

Recognizing the markedly low level of social trust in Korea as compared to social trust levels of advanced countries and the other three Asian tigers, Part II of the book investigates the causes of low social trust in two broad categories: interpersonal and institutional. Of the reasons for low interpersonal trust in Korea, this book examines social stratification, economic bipolarization, social injustice, and social conflicts. Then, it investigates the causes of low trust in government, business, and labour as important types of institutional trust. In assessing the Korean case of social and economic developments, including the level of social trust, the OECD countries are used as a key benchmark. After all, Koreans have a strong aspiration for their country to cross the threshold of advanced country status in terms of both economic and social well-being.

Third, this volume draws extensively from sources in the English and Korean languages, including electronic and published materials, as well as from my own experiences as a scholar and consultant. I have many years of experience of teaching and consulting on Korean business, economy, and society. I have also maintained close contacts with Korea – with frequent visits to Korea for teaching, research, and consulting purposes. I have contributed a large number of special columns on social and economic issues to Korean newspapers. I taught courses on the Korean economy and international business in Korea at Griffith University in Australia for 18 years and the same courses at the International Summer Campus of Korea University in Korea for 10 years. Through my research on and teaching about the Korean economy over the last two decades, I have realized the limitations of conventional economic policy instruments in maintaining healthy economic development. By observing persistently prevalent irregularities in Korean society from foreign perspectives and commenting on them through newspaper columns, I have been convinced of the importance of social issues, including social trust, for economic development particularly in Korea.

The need for this book became clear to me while teaching a course entitled ‘Korean Economy and Society under Globalization’ at the International Summer Semester of Sungkyunkwan University in Korea in the summers of 2014 to 2016. No comprehensive treatment existed of the subject of Korean socioeconomics in a single volume; the sources of pertinent information were scattered and inadequate for presenting a well-rounded picture of the recent developments of the Korean economy and society and their mutual relationship. By progressing from a poverty-stricken agrarian country to the 11th largest economy in the world and a member of the G20 in just over one generation, the Korean economy and
society as well as their mutual relationship have developed *sui generis* characteristics. Yet, they have eluded careful examination that would provide invaluable information not only for Korea, but also for other developing nations in benchmarking Korea for their own development. This book is intended to help fill the void in the literature by providing rigorous analysis of the pertinent topics based on existing theoretical and empirical studies.

Many people and organizations have made valuable contributions to producing this book. This book draws on numerous theoretical and empirical studies in the literature of social trust and economic development. It also owes debts to a number of organizations in Korea and across the world that produce all the estimates of social indicators, including social trust indicators, which are used as evidence for arguments in this book. Research outputs by a large number of research institutions in Korea, public and private, and statistical data from Korea Statistical Information Services (KOSIS), which are readily accessible through the Internet, are also invaluable sources of information. Without these studies, research results, and statistical information datasets, the idea of producing this book would not have been conceived. I thank Dr Hun Soo Kim at Kim & Chang Korea who commented on some of the draft chapters. Perhaps most importantly, I express deep thanks to my late wife, Joanne Kwon, whose patience and caring prevailed while I was buried in researching and writing this book. Special thanks are also directed to my daughter and son and their families, who have rendered their support in a number of different ways for my late wife while she was ill in hospital, as well as for this project. I am also grateful to Edward Elgar Publishing for its waiting patiently for submission of my overdue manuscript.