

Reconstructed Knowledge Sharing of Development Experience: Focusing on Korean Stabilization Policies in the 1980s

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Introduction

As the international demand for knowledge sharing for development cooperation is growing, supply of development experiences is increasing from diverse sources that include traditional donor countries, middle-income countries and even low-income countries (TT-SSC, 2011). Many countries and international organizations are committing to make their accumulated development experiences available, broaden the available knowledge base, and provide easier access to broadened knowledge base by identifying and documenting such knowledge (Working group for G20, 2011).

Recent literature on knowledge sharing suggests two key ideal conditions for successful knowledge sharing. First, knowledge demand and supply should be matched up in an effective brokering mechanism (Kumar et al., 2016). Second, not only explicit or codified information but also practical experiences of the how-to of development and policy reform, so-called, tacit knowledge, should be shared through interactions among people facing similar challenges in similar institutional contexts (Janus, 2016).

In practice, however, the ideal of knowledge sharing may obscure more than it clarifies due to inherent challenges in knowledge production process that is a pre-requisite for any knowledge sharing. For example, one of the challenges is called ‘brokering bottlenecks’ that prevent effective matching of the demand and supply of knowledge

(Working Group for G20, 2011). These bottlenecks are ascribed to the lack of capacity on the demand side to identify what is needed and the lack of information about what is available on the supply side (Sowell, 1980; Spender and Grant, 1996; Working Group for G20, 2011). So far, knowledge sharing has been mostly supply-driven from the anchor to the regions (Working Group for G20, 2011). Another challenge is inherent ambiguity of tacit knowledge that makes it difficult to articulate, learn, hence to transfer such knowledge (Hakanson and Nobel, 1998).

Despite the importance of knowledge production, however, both academic literature and practical prescriptions tend to emphasize the importance of effective knowledge sharing modalities and focus on what happens in the knowledge recipient side once the knowledge is transferred, that is, how recipients can internalize and adapt knowledge into their own contexts. Relatively little attention is made on how to construct and produce knowledge for successful knowledge sharing.

Although approaches to knowledge sharing that only relies on the codification of knowledge into databases that operate on a pull basis have proved to be less effective (Snowden, 2011), the necessary step for knowledge sharing is codification of knowledge in physical or virtual information repositories or database where the knowledge seekers can explore the existing relevant knowledge. Thus, this paper focuses on one modality of knowledge sharing – unilateral production of case studies on development experiences. The relevant question is whether and how case studies of development experiences are constructed in a way to make recipient countries utilize (internalize and adapt) such knowledge effectively.

Focusing on a Korean story of development, this paper intends to deal with the questions of how we can construct our development story better so that our story could be shared (and utilized better). Ultimately, beyond sharing out knowledge, we can figure out better where we are by identifying Korean governing DNAs (Korean traits associated with our development experience), with which we can even chart better where we are going in the future) with more effort to reconstruct our understanding of our experience.

Challenges of constructing a case of development experience

Constructing a story of a country's development experience is a very difficult task in several aspects. First, when a case is introduced as a successful story or with positive connotation of achievement, there is a problem of non-objective judgment of success. For example, it is a value-judgement to determine a success. Faster achievement of something

but ignoring or sacrificing other needs (or, high level of GDP per capital but lower level of happiness among people) is a success? Or, slower achievement of the same thing but balancing other interests (or, lower level of GDP per capital but high level of happiness) is a success? While efficiency (or fast achievement of something) can be regarded as only a virtue in a story, audience may have a different definition of success, e.g., fairness or equality. Thus, a case should be constructed in a way audience can determine for themselves the meaning of certain outcomes in the story. What happened in a country needs to be presented in a case study objectively without subjective connotation of a success or failure, and be compared with those in other similar countries in order to just show how the outcomes are different from others.

Second, related with the first point above, a success (subjectively defined) in the past may have unintended, negative consequences on future. A success today may be the source of problem tomorrow. As Paul Krugman (1994) argues in his 'the Myth of Asia's Miracle,' rapid but short-term high-level economic growth of South Korea led by the authoritarian government and leadership with strategic economic policies with perspiration of public was not sustained but caused economic crisis in 1997. Thus, success in one period may become a cause for problem in other periods. Thus, we need to be careful not to imply that certain positive factors during specific, short-time frame should be emulated in other countries without bearing risk of negative consequences in the long run. Or certain positive factor in specific time frame should be presented with its potential consequences in the future.

Third, certain outcomes observed in a case may be a product of a complex function or interplay of many contributing factors that include endogenous factors, such as actors' values, ideas, capacities, culture and exogenous factors including global economic situations. Thus, a story that links outcomes with only a few parts of the equation may mislead audience to miss out on really important pieces of the picture. For example, when a case study suggests a certain policy (contents) only as a key factor in delivering certain outcomes in a country, it may not be guaranteed that actors in other countries may not produce same outcomes with the same policy under different contexts. No policymakers may be interested in introducing that policy from the beginning. Even if policymakers are motivated to introduce the policy, it may not be implemented due to resistance from stakeholders, or due to lack of capacity to implement it (Andrew et al., 2017). Thus, constructing a case properly needs an analytic framework that incorporates the network of endogenous traits and exogenous factors so that audience can understand

the interaction of contributing factors.

Fourth, when we present 'Korean' development experience, there is vagueness in setting units of analysis in defining "Korean" in a story. It may mean just something happened 'in Korea.' It also connotes more specifically Korean 'policies,' or Korean 'decision-makers' or Korean 'government' as a whole, or Korean 'institutions or laws', or Korean 'people' or 'culture.' Assuming that consumers (users, audience, reader) of case studies are mostly government officials, case studies tend to explain policy contents, or emphasize particular leadership of top decision-makers, or describe strategic implementation plan of government officials. In other words, the stories are government-centered. However, this paper posits that 'Korean' denotes all kinds of Korean 'people' who generate or import ideas, formulate or implement policies, respond to and overcome challenges, demand or comply with policies. In the same breath, this paper defines Korean development experience as experience of network of Korean people who responds to their development challenges. Thus, storytelling should be actor-centered in conjunction with specific contexts, internal or/and external. Focusing on only single actor such as a political leader or a few actors, or specific institutions and policies as the unit of analysis may miss on other important actors that may play important roles in making and implementing public policies in various venues. Thus, we need to have more comprehensive framework that incorporates much larger network of people including general public or experts as unit of analysis who ultimately create institutions, make and implement public policies.

Fifth, another inherent challenge in constructing a country-level development experience is the possibility that the importance (or weight) of successful factors may change in long-term story. For example, while pure luck or specific capability might be the most significant factor in the first chapter of the entire story, other factors, such as different kinds of capacity or other actors might become more important in explaining outcomes, as the capacity and value system of people develop and contexts also change in entire story. While strong government interventions might be a successful factor in the 1960s and 1970s, those factors are not consistently influential throughout the entire story of Korean development. Rather, non-governmental actors, such as private sectors and civil societies might play more influential roles in continuing to construct successful story. When we expand our analytic scope (not narrow down to specific period of the story) into the broad time spans, it will be inappropriate to generalize certain factor, such as strong government intervention, as successful factor that has been influential in entire

story or typical Korean feature in development. Thus, we need to develop an analytic framework to identify distinct ‘Korean’ factors that worked only in specific context and factors that cut across different period or contexts consistently. And a story covering long-term developmental phases should be constructed in a way audience could understand how weight or importance of contributing factors changed along the phases so that they could link the chains of development with different kinds of factors.

Last, but not the least, important point in constructing a story of development experience is the role of context, particularly in the form of internal or external challenges that are faced by various actors. This paper assumes that story of development experience is distilled into interaction between development challenges and a network of actors in a country. Thus, how a network of actors in a country tried to respond to and overcome specific development challenges may give more useful implications to audience in other countries who face similar kinds of development challenges.

Form and characteristics of knowledge

Knowledge can be categorized as ‘codified (explicit) and/or tacit know-how’ (Teece, 2000). Certain components of knowledge can be explicit, in other words, be verbalized, written, drawn, or otherwise articulated. However, knowledge is often characterized by significant levels of information, which is not codified, and information that is embodied/residing in people or institutions. Such knowledge, so-called ‘tacit knowledge’ resides in individual cognition and organizational routines acquired through experience and use in a specific context (Polanyi, 1966).

While development practitioners demand codified or academic information, what they really need is each other’s practical experiences of the how-to of development and policy reform as peers. Thus, sharing of the practical, how-to dimension of knowledge is essential characteristics of knowledge sharing and learning. However, tacit knowledge is hard to articulate and communicate it.

The characteristics of tacit knowledge seem to be related to their level of ‘causal ambiguity’ (Lippman and Rumelt, 1982) that is often singled out as an important factor affecting knowledge transfer (Grant, 1996; Nonaka, 1994; Spender, 1996; Szulanski, 1996). Since tacit knowledge can be embedded in people (Engstrom et al., 1990), tools, technology, tasks, or routines (Argote and Ingram, 2000; Kostova, 1999; Leonard-Barton, 1992), however, ambiguity about how the sub-networks (i.e., people, tools, technology, tasks, or routines) interactively define the function of interest determines the difficulty of

knowledge transfer. The greater the causal ambiguity, the more difficult it is to identify the related knowledge elements and sub-networks.

Considering the knowledge elements and factors to facilitate knowledge sharing, this article develops a framework to organize case studies for knowledge sharing. First, all the cases can include explicit and codified information that can be verbalized, written, and articulated. For example, a case can describe specific policy contents, regulations, or provisions in the law in details. Also, the structure of the institutions to formulate such policies and implement them can be drawn with detailed information on the number of staff and financial resources. Second, the challenge in case studies is how to present tacit knowledge that is inherently difficult to articulate and embedded in people, tool, routines, task, and network. Thus, it is necessary to interview people and draw their tacit knowledge embedded in other sub-networks.

Knowledge production and database in Korea and World Bank

Modularization cases on South Korea's development experience

Korean government has made efforts to capture and construct development experience of South Korea from liberalization from Japanese colonial period in 1945 up to global financial crisis in 2007. So-called 'Knowledge Sharing Program (KSP) modularization project' was initiated by Korea Development Institute (KDI) School of Public Policy and Management as a knowledge repository and sponsored by the Korean Ministry of Strategy and Finance (MOSF) in 2007 in order to share South Korea's development experience with other development countries through policy consultations and knowledge sharing activities where policy experts and decision-makers interact on specific development issues in a partner country (Kim and Tcha, 2012). More than 150 subjects were selected by each relevant central ministry on the ground that those topics include successful stories relevant to Korean development experience ranging from industrial policy, agricultural policy, government reform, economic growth, education, public health, and environment. Authors for each case study interviewed main actors in the story as actual policy-makers and implementers for specific policy measures.

KSP modularization cases have a few characteristics as first-hand resources for knowledge-sharing. First, identifying and writing about successful cases in KSP modularization is mostly a supply-driven activity. Even if almost all central agencies participated in selecting cases for knowledge sharing, their subjective opinions on what should be shared as Korean development experience determined the subjects and

topics. Second, mostly importantly, knowledge in many cases in modularization cases consists of mainly explicit knowledge, such as substantive policy measures, institutional structures and policy outcomes rather than how to formulate and implement such measures. The tendency to focus too much on explicit knowledge in knowledge construction has limitations in knowledge sharing. Specific substantive policy packages and institutional structures to make or implement such policies in one country might not be useful or working properly in another country with different culture or context. When knowledge producers are ignorant of the context that knowledge users are embedded in, capacities that knowledge users have, and challenges that knowledge users face, knowledge producers simply explain apparent features of what they did in the form of policy measures, institutions, and policy outcomes. Knowledge of how-to of development and policy reform often hinges on tacit knowledge that is inherently difficult to articulate and embedded in people, tool, routines, task, and network, and value system.

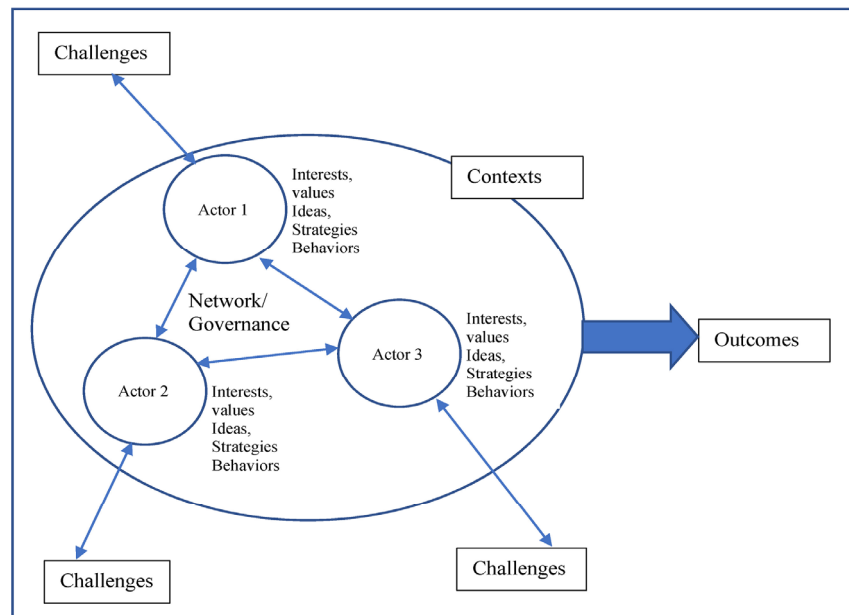
Global Development Initiative (GDI) by World Bank

World Bank started to collect development experience cases from all around the world with a lens, called, “science of delivery,” under the leadership of President Kim, Yong that focuses challenges in implementation process (Asis and Woolcock, 2015). Global Development Initiative (GDI) of World Bank developed its own typologies to identify various development challenges and implementation challenges that would be used as a template or guideline in constructing case studies. GDI has same assumption that this study has, that is, that readers of cases can get more useful implications from cases by being sensitive to challenges that actors in the case faced. However, GDI case studies only focus on implementation of a single policy with an assumption that what matters is not the idea but the its implementation. This narrow scope has a few limitations in knowledge construction and sharing. First, very often, it is a very important issue for leaders in developing countries to get or generate appropriate ideas and select one among controversial ideas in competition. Thus, assuming certain policy ideas are given as appropriate ones from the beginning and only focusing on its implementation may be misleading. Second, GDI covers only one single policy and a single development and implementation challenge. In reality, there are multiple challenges associated with multiple policies that are implemented at the same time. Without untangling such a complex interaction, it is very difficult to get appropriate implications from successful stories with tangible or positive outcomes.

Framework to construct a case of development experience

Considering challenges in constructing a case of development experience, this study proposes a new analytic framework that incorporates the concept of governance as a key template to understand the story and draw implications better (Figure 1).

Figure 1. Framework to construct a case of development experience



The concept of governance is useful in the effort to capture traits of success in some aspects. First, ‘governance’ is ‘used to grasp, on the one hand, institutions (a “structure of rules”), and on the other hand, a process (that of steering), which is taking place in the framework of these institutions’ (Offe, 2009). Institutions can cover actors, network of actors as main unit of analysis and their vision, interests, ideas (policy options). And process include their strategies and behaviors to form organizations, develop policies, building a coalition, and negotiate agreements. So, governance framework can expand scopes in terms of numbers of actors in the story and timespan to consider long-term processes of steering where various aspects of actors can be observed.

Another important feature of this new framework is to incorporate the roles of contexts (situations, luck) surrounding actors by postulating that actors’ governance story is just to realize their visions, set the targets, and make and implement ideas (policies) by overcoming challenges and utilizing opportunities given by contexts. In this story telling, something ‘Korean’ (which may be distinguished from actors in other countries) can be manifested in ‘Korean’ actors’ visions (norms and values that are affected by culture and ideology), their interests (what they want to achieve), their targets (how they set the targets), their ideas (where and how ideas (means) are

developed), their implementation strategies (how to implement) in constant chain reactions with given or self-created contexts.

This framework that follows interactions between contexts and actors has a few advantages in sharing stories with other compared to traditional frameworks that only focuses on a few top leadership, specific policies, or implementation strategies to explain a successful achievement of a country. The new framework of governance may prevent authors from generalizing certain policy ideas, strategic decisions from leaders, and their implementation strategies as secret factors for a success regardless of contexts. Also, audience can identify specific contexts as challenges and opportunities in a story and match those with their own contexts in order to get meaningful implications or takeaways from the story.

Since the concept of governance vis-à-vis government started to rise from early 1990 (e.g., Kooiman (1993)), some may doubt the efficacy of governance framework to analyze successful stories of a country that happened before early 1990s. However, when we define governance as a process where a network of actors with certain values and interests respond to a series of challenges, internal or external, by generating ideas, making decisions, and implementing them and we can observe those actor's traits, behaviors, and challenges (contexts), then governance framework can be utilized to analyze what happens in any situations.

Analysts using this new framework should be careful not to judge actors' values, ideas, strategies normatively based on their non-objective criteria. Certain strategies or behaviors of actors in making or implementing decisions can be observed and interpreted in such a way that those behaviors lead to certain outcomes. When it comes to values or interests of actors that drive those strategies and behaviors cannot be judged as good or bad ones. For example, rapid increase of exports can be ascribed to adopting and implementing certain policy measures by analysts but, they can just identify actors' values or interests behind their decisions but not judge those were good or bad from their own subjective criteria. It is very important to maintain neutrality in analysis and conduct observation and interpretation as objectively as possible.

Finally, if we want to understand a successful developmental story of a country that covers a long-span (more than 50 years), there may be many different actors (from old generations to relatively young generations) who made influential impact on specific and different junctures of the whole story. Objective analysis might serve as an opportunity to acknowledge their different contributions to the story and bridge the gap between the generations in a country by finding common features of success across the generations.

Literature on Korean development experience

The story of South Korea's transformation from an impoverished, agricultural, war-stricken country to a rich, industrial, democratic one is fascinating enough to draw lots of scholastic attention and effort to answer the question of the secrets of its transformation. Most studies focus on its economic success, so-called 'the Miracle of Han River' before 1997 financial crisis (Table 1).

Table 1. Exemplary studies on Korean economic development before 1987 financial crisis

| Author(s) | Contributing factors |
|----------------------|--|
| 1. Amsden (1989) | <ul style="list-style-type: none"> • Learning existing Western technologies as a latecomer rather than innovation • Efficient government intervention policy in the optimal allocation of resources |
| 2. Krugman (1994) | <ul style="list-style-type: none"> • Authoritarian, strategic economic policies • Perspiration (labor and commitment) rather than inspiration |
| 3. Song (2003) | <ul style="list-style-type: none"> • Outward, Industry, and Growth (OIG) strategy • Confucian ethic as an underlying basis for development • Land use, a family-planning program, savings and consumption behaviors |
| 4. World Bank (1993) | <ul style="list-style-type: none"> • Rapid physical and human capital accumulation • Government's market-friendly policy |
| 5. Cho (1994) | <ul style="list-style-type: none"> • Abundance of good workers of high standard of literacy, discipline, and desire to grow • Vigorous entrepreneurship • Export-led growth strategy along with effective government development strategy |
| 6. Toussaint (2006) | <ul style="list-style-type: none"> • (1) government intervention, (2) US technical and financial support, (3) land reform, (4) transition from import substitution to export promotion, (5) authoritarian planning, (6) state control over banking sector, currency exchange, capital flows and product prices, (7) US protection, (8) education, (9) scarcity of natural resources |
| 7. Mason (1997) | <ul style="list-style-type: none"> • Slower rates of population growth favored investment in education and incentives for saving, which accelerated the economic development |

| Author(s) | Contributing factors |
|--|---|
| 8. Chang (2003) | <ul style="list-style-type: none"> • The internal operations of Korean business groups and their role in the Korean economy • Financial crisis due to the failed adaptation to changing external environments by the business groups and Korean government |
| 9. Eichengreen, Perkins, and Shin (2012) | <ul style="list-style-type: none"> • Learning and government policies for promoting economic growth • Adaptation to the global economic environment • Rapid shift of export structure to focus on high-growth products • Export diversification |

When it comes to endogenous, actor-centered traits of so-called ‘the Miracle of Han River’ in South Korea, several commentators emphasize the benevolent or effective leaderships of the South Korean presidents, such as Lee, Seung-Man¹⁾, Park, Jung-Hee, and Kim, Dae-Jung (Amsden, 1989; Campos and Root, 1996; Chang, 1993; Evans, 1995; Haggard, 1990; Kim, 1987; Woo, 1991; World Bank, 1993). Others also focus on the roles of competent, hard-working, and not corrupted bureaucratic elites in making and implementing policies that had brought tangible successful outcomes in economic development (Evans, 1995; Kim, 1987; Cumings, 1984; Kohli, 2004; Woo-Cumings, 1995; Lie, 1998). Other scholars also argue that specific exogenous political and global economic contexts around South Korea, such as ideological competition with North Korea (Campos and Root, 1996; Doner et al., 2005; Kang, 2002; Woo-Cumings, 1998), reduced inequality in the society through land reform and the Korean war (Amsden, 1989; Cummings, 1984; Lie, 1998; Minns, 2001; Rodrik et al., 1995) provided a favorable foundation for economic development.

Reconstruction of the story of Korean stabilization policies in the 1980s.

This study intends to explore what kinds of knowledge should be shared in a case study of development experience by considering a framework for more effective knowledge construction for knowledge sharing and by taking a successful story among 150 modularization cases of KSP, so-called, “Korean stabilization policies in the 1980s.”

1) Lee, Seung-Man is the first president of the Republic of Korea, who was inaugurated in 1948 and stepped down in 1960.)

Korea's Stabilization Policies in the 1980s (1980-1983)

A series of macroeconomic shocks from changes in the international economic environment had hit most developing countries for more than a decade since the mid-1970s. Those countries had to stabilize their disrupted economies. South Korea's stabilization effort during these times has been heralded as a fairly successful one (Amsden, 1987; Collins and Park, 1988; Haggard and Moon, 1990; Taylor, 1988). Experts analyze substantive contents of the stabilization packages and identify logical models between the factors and their impacts on macro economy of South Korea.

As a knowledge-sharing effort, Cho and Kang (2013) recreated the Korean case as the KSP modularization case so that audience in any country of the world could access to the document online and learn some valuable lessons. This study intends to reorganize the case as an example from the perspective of knowledge sharing, evaluates its potential as a knowledge sharing repository, and find implications for improvements in developing case studies for knowledge sharing.

Crisis and its contexts

Readers of the case study as the knowledge seekers will be more likely to be inspired to learn from the case when they can identify similar development challenges in the case. The key challenge that the case study of Korea's stabilization policies of the early 1980s (Cho and Kang, 2013) deals with is the balance-of-payments crisis in late 1970s in Korea. Thus, policymakers in developing countries who face serious balance-of-payments crisis may become interested in this case study at first sight.

For successful adaptation and internalization of the shared knowledge by the recipients, the contexts where crisis began and policymakers maneuvered to overcome the crisis should be provided in the case study. The chapter two of the case study (Cho and Kang, 2013) provides various contexts from global economic situations to political situations in Korea related to the serious balance-of-payments crisis in late 1970s in Korea and Korea's stabilization policies.

However, the readers should be able to differentiate general (or similar contexts) that they can experience at any time of their reading and idiosyncratic contexts embedded in Korea at the time when the case happened. In doing so, they can draw general insights from the case and adjust their strategies by taking into consideration of the different contexts between their own countries and Korea.

After reviewing the case study, I reorganize contexts presented in the case study into

three categories: first, general contexts that any developing countries can experience regardless of time and location; second, general but time-specific contexts that many other developing countries might have shared during the time frame of the case, but not anymore now; third, idiosyncratic contexts where South Korea was embedded.

First, although many different factors may cause balance-of-payments crisis in many different countries, chronic high inflation is regarded as a major culprit to lead to the edge of the balance-of-payments crisis. There is a typical pattern of a vicious cycle of inflation where inflation expectation and actual inflation reinforce each other in the cases of wage bargaining and financial contracts since economic actors tend to take for granted high level of inflation. Accordingly, wage inflation decreases export competitiveness by increasing production costs of the exporting industries and firms, which causes trade deficit. As a result, the government resorts to large amount of foreign loans to fill the deficit that leads to balance-of-payments crisis in the end. South Korea was not the exception during 1970s. Such a chain of actions can be triggered as long as there is chronic high inflation. Thus, the impending task for decision-makers who face such a vicious cycle in their country is to tackle chronic high inflation rates.

Second, the case study briefly explains the general but time-specific contexts that many developing countries in late 1970s and early 1980s experienced at the same time. The 1970s was a decade of global inflation since the abolition of the Bretton Woods system that had played a cornerstone of the international financial order for more than twenty years eroded the discipline of monetary policy in many countries and caused their monetary policy to be more likely to be accommodative, hence surged global inflation. Consequently, by the end of the 1970s, even the inflation rates of many advanced countries recorded double-digit figures for the first time in history (Cho and Kang, 2013). Also, the first and second oil shocks in 1970s generated by Organization of Petroleum Exporting Countries (OPEC)'s strong cartel inflicted critical blows on almost all resource-poor developing countries, including South Korea.

Third, although the balance-of-payments crisis in South Korea in early 1980s was triggered by chronic high inflation and external shocks, the case study provided in detail the very idiosyncratic features of distortions and resource misallocations that are not typical of high inflation developing countries. Understanding these contexts allows readers to draw appropriate insights on why and how Korea's stabilization policies were formulated and implemented.

The most distinctive characteristics of economic policies in Korea in 1970s are

known as policy shift to promote heavy and chemical industries (HCI). Although the average annual growth rate recorded during the two decades of the 1960s and 1970s was almost ten percent, the very strategy of authoritarian military regime to selectively support HCI were all sources of distortions and resource misallocations. First, the financial market was a pipeline to convey the maximum amount of resources to strategic industries. Commercial banks provided a half of their deposits as policy loans with extremely low interests rates. Consequently, the Bank of Korea could not but bail out commercial bank that could not sustain their profits by lending their money to them. Second, the government provided various tax reductions and exemptions for exporters and strategic industries. Although the government managed to maintain a surplus in the general account by squeezing the budget for education, health and welfare, the consolidated budget including the special accounts for public projects recorded a deficit every year. The problem was that the government usually financed the budget deficit for special funds by borrowing from the Bank of Korea. Among many special funds, the Grain Management Fund²⁾ was the largest fund that mostly relied upon the money-printing power of the Bank of Korea. Consequently, the money supply was rapidly increased with 30% growth rate per annum (Cho and Kang, 2013) during 1970s. The cheap credits to support HCI created perverse incentives for HCI industries to seek speculative profits by investing money borrowed with low interest rates from banks in real estate and expanding unproductive businesses. The demand for real estate by industries induced land price inflation that in turn, reduced export competitiveness of the industries.

The reason why the government shifted its economic policy from labor-intensive light industries in the 1960s to HCI is controversial. But, Cho and Kang (2013) explained that the decision was political rather than economic. As the U.S. foreign policy³⁾ shifted in a way to emphasize self-defense for Asian allies including South Korea and reduced its troops in South Korea, President Park, Jung-Hee felt the need to be more self-defensive through the development of HCI that could be a foundation for defense industries.

2) To stabilize the farmer's income, the government used the Grain Management Fund in purchasing rice and rye at higher levels than the market prices in the name of 'dual prices policy', which caused constant deficit in the fund.

3) President Nixon in 1969 declared the Guam Doctrine that urged Asian countries to rely more on themselves for their own security.

Korean solutions as explicit knowledge

The case study (Cho and Kang, 2013) explained the substantive policy measures in detail in the chapter 4 of the book. Those contents are explicit knowledge that can be delivered to the recipient as a useful reference for possible policy measures. However, as an international comparative study (Taylor, 1988) suggests, countries were adjusted in different ways with different packages, depending on their own local institutions, macroeconomic structure, and relationships among major political and social groups. Thus, as long as the case study provides enriched contexts that include general, specific, and idiosyncratic contexts around crisis and solutions, recipients of the explicit knowledge (the very contents of stabilization policy measures) may be more likely to understand better why certain policy measures were adopted over than others.

Usually, knowledge-sharing case studies often try to construct the logical linkage between successful outcomes and the contents of the policy measures that certain country took. When it comes to stabilization policies in Korea, the outcomes were amazing. The inflation rate in terms of the Consumer Price Index (CPI) was stabilized from 28.7 percent per annum in 1980 to 2.3 percent in 1984 (Cho and Kang, 2013). In case of the Producer Price Index (PPI), 39 percent in 1980 dropped into 0.2 % in 1983. Such lowered inflation rates were maintained during the 1982 and 1986 in Korea, which stood out compared to those of other developing and advanced countries. However, it is not always clear to connect between policy measures and apparent outcomes due to external intervention events during implementation. For example, the combination of dramatic fall of raw material prices, such as oil prices, and the degree of devaluation of Korean won contributed a lot to the drastic stabilization (Corbo and Nam, 1986).

The Korean packages with contextual knowledge may suggest to the readers, particularly who are considering unified or standardized policy package that were applied to many different contexts, that alternative or specific policy packages should be devised within their frameworks of their own specific economic and social characteristics. For example, African export farmers as habitual creditors of the crop marketing boards dislike inflation since it threatens the boards' always precarious financial health. South Korean middle classes did not oppose inflation in the 1960s when they gained a lot from super-growth. Thus, what is perceived as a 'moderate' rate of price increase depends on the economy's own history of inflation (Taylor, 1988).

The South Korean case as a 'success' one is scarcely historical paragon of liberal policy that argues production and efficiency rise when distortions are removed. Extreme

anti-distortionist regimes, such as Mexico suffered from macroeconomic disaster. Rather, Korean case shows its success with fairly heterodox packages combining price signals and directed state intervention, with getting prices right (removing distortions) playing a secondary role (Taylor, 1988).

Consequently, the implications of Korean policy measures as explicit knowledge for other developing countries situated in different contexts are limited. Some policy measures and techniques can be applied without any adjustment but others may not be useful. With such explicit knowledge shared, the audience just understand how its macro system works, the types of shocks it went through, the policy responses, and the resulting outcomes. Considering their own sectoral growth and price formation style requires unique problem-solving knowledge.

Tacit knowledge in the Korean case

If the audience or the recipients of the knowledge are policymakers or practitioners who should do something about stabilization rather than just analyze situations academically, they need totally different knowledge on ‘how-to.’ For example, ‘would-be’ reformers should be interested in how to formulate certain idea of policy measures, how to overcome potential oppositions from other rival agencies and private stakeholders driven by economic costs that stabilization packages incur, and how to persuade unwilling top decision-makers deeply drenched with conventional wisdom.

Cho and Kang (2013) wonderfully explored to answer such questions in their case study with many anecdotal stories and interview transcripts with actual policymakers at that time of the case. This article reorganizes their description according to the framework of challenge and response since there were constant challenges a few reformers had faced before and even after the policy measures were designed and implemented. How they overcame such challenges could be distilled from Korean case. And that knowledge may have more implications that can be applied to more occasions in many parts of the world.

Where did the ideas come from? (How they did get that idea?)

The idea of policy options to stabilize disrupted economies in developing countries was sought largely within the framework of orthodox macroeconomics, as reflected in the standard stabilization packages advocated by the International Monetary Fund for a large number of developing countries in the 1980s. In order to attain equilibrium within a

narrow monetary framework, the packages by and large involved a set of austerity measures sweetened with conditional balance of payments support under the auspices of the international financial institutions. However, the standard packages were imposed from outside to various developing countries without considering their own local contexts, such as local institutions, macroeconomic structure, and relationships among major political and social groups (Taylor, 1988).

In case of South Korea, the idea of policy options was not imposed from outside but from within. According to Cho and Kang (2013) and other scholars (Amsden, 1987) who studied the Korean case, a few elite government officials and American-trained technocrats were the key agents of change. How they got to hold the belief that there should be a major reform and formulate the very idea of policy options could not be explicitly articulated without hearing from themselves about their belief and perception of the situation at that time.

Such a tacit knowledge embedded in people and their value system can be identified in their own remarks, often explored in their personal memoirs or through face-to-face interviews. The case study by Cho and Kang (2013) used a quotation in the book by Mr. Kang, Kyung-Sik, who was appointed as the Assistant Secretary of the Economic Planning Board (EPB) in 1977, to deliver the tacit knowledge.

“...Right after I was appointed to that position in 1977, I had to present to President Park the contents of the report, ‘Long-term (15 years) Economic and Social Development Plan’ that had been produced by the Korea Development Institute (KDI)...All the contents were full of rosy outlooks, predicting ten percent annual growth and a current account surplus from 1981. Something was wrong in that the forecast was made with an assumption of a high inflation rate (8.4 percent annually) for the next fifteen years. It seemed to me that the high inflation rate was taken for granted by almost all of the policymakers as unavoidable necessary evil rather than a malaise that should be cured. There was unquestioned faith toward the current economic growth strategies...I came to have a strong conviction that we needed to revamp current growth strategies that focus on HCI with fundamentally different angle...”

How can a few with a new idea break dominant and conventional wisdom and make a paradigm shift (from the government-led economic development paradigm to more market-oriented system)?

Although a few elite officials came up with new but orthodox ideas to address the root-causes of chronic high inflation, those ideas were against the dominant paradigm of the government-led development strategy, the backbone of the ‘Korean Miracle’ for almost two decades. Under the very hierarchical and authoritarian regime, it was very difficult to challenge and persuade top policy-makers, particularly, President Park who was convinced that his decision of the government-led development strategy had been very successful so far.

At the same time, those ideas themselves were not easy to operationalize practically. The only way to control the money supply was to reduce the burden of the Bank of Korea in supporting HCIs by retrenching other fiscal spending, such as national defense and agricultural subsidies, which was almost impossible to do, considering their political consequences. Opening the economy for free trade in order to enhance competition in the country meant no more protection for domestic industries.

1) Strengthen the idea and argument with best available human resources

As the assistant Secretary of the EPB, Mr. Kang needed allies who supported his aspirational mandate to change the paradigm by formulating major policy strategies and persuading key top policymakers within the government. What he did as the first step was to ***form a special task force team*** that involved brilliant junior staff members in the EPB and a few selected economists from Korea Development Institute (KDI), a government think tank. They were ordered to conduct a secret mission to review the status of the Korean economy comprehensively. Such a daunting task even bound team members in the guesthouse of the Korea Institute of Science and Technology as a base camp for many sleepless nights. Over two months, they analyzed all the structural aspects of high inflation and formulated a policy package, so-called, ‘Comprehensive Stabilization Plan’ (CSP) to address the problems.

One of the answers to explain the Korean formulation of distinct policy packages for stabilization without any intervention from the international financial organizations at that time is that South Korea had been building capacity to analyze and formulate economic policy by establishing the KDI, a prestigious government think tank since 1971 where a few elite American-trained economists were scouted to work.

2) Bootstrapping advocacy coalition building within the government

Mr. Kang approached to Mr. Nam, Duk-Woo, the head of the EPB who was also the Vice Prime Minister at that time and presented the main arguments from the final report from the special task force to persuade him into his coalition. Although he agreed to the all the conclusion of the report, Mr. Nam just sat on the report and did not get to President Park. Mr. Nam might have calculated groundbreaking consequences of implementing the proposed policy package, particularly on the general election ahead in 1978. Also, another effort to persuade President Park via a top policy-maker, such as the Minister of Finance, Mr. Kim, Young-Hwan was in vain although Mr. Kim also supported the stabilization policy (Kang, 1987).

However, Mr. Kang's initial effort to build consensus within the EPB and with other Ministries was not fruitless at all. All of the few junior government officials who participated in the task force team including Mr. Kim, Jae-Ik, Mr. Park, Yu-Kwang, Mr. Moon, Hee-Gap, and Mr. Lee, Hyung-Ku were promoted later to important positions where they got the power to push the stabilization policies in early 1980s. Also, Mr. Kang utilized all the venues available to persuade top decision-makers into agreeing to comprehensive change. For example, when he happened to attend the World Health Organization (WHO) conference in Soviet Union as an official business trip for two weeks with the Minister of Public Health and Society, Mr. Shin, Hyun-Hwak, Mr. Kang argued to Mr. Shin that Korean economy was exhibiting similar negative symptoms as those of the planned economy in Soviet Union (Kang, 1987). The Minister who realized the importance of the market-based economic institutions and was very favorable of the stabilization policy was appointed to the new head of the EPB soon in December 1989. With the new leadership of Mr. Shin, the stabilization policy could regain active momentum within the EPB.

Mr. Shin as the new head of the EPB in late 1978 once again ordered to make more effective presentation materials with strong and sound arguments for the stabilization policies and finally presented them to President Park at the beginning-of-the-year EPB briefing in January 1979. However, the initial reaction of President Park was not promising. His disapproval of the stabilization policies became apparent in a number of his remarks on other occasions. For example, he commented at the briefing session with the Ministry of Foreign Relations, "Recently, some crazy nuts in the government says we should decrease support for the export industry." In another briefing session with the Ministry of Commerce and Industry that proposed the plan, 'Fostering ten strategic HCIs,' President Park praised their plan, saying "Today I heard the most promising and ambitious plan that hits the nail right on the head."

Negative comments of President Park against the EPB proposal of stabilization triggered all the oppositions from all the Ministries in the government that had stakes

in and committed to the current government-led growth strategies. For example, the Economic Cooperation Bureau disagreed with the EPB. The Ministry of Commerce and Industry whose mission was to protect domestic industries was against the idea of liberalizing the imports and reducing the amount of export financing. The Ministry of Finance was fiercely critical of the idea of financial deregulation on the ground that the idea was too premature. The Ministry of Agriculture and Fishery also opposed the abolishment of the dual pricing system of rice and fertilizers in order to protect the farmers.

When the proposal was leaked outside the government, all the stake-holding entities whose interests would be affected negatively by the stabilization policies tried very hard to lobby against them. Those included all of the business entities that opposed raised loan interest rates, export industries that opposed the abolishment of the export finance and subsidies, HCI industries that were against restructuring investments and subsidies, and farmers that did not welcome the idea of importing agricultural goods.

The situation of the EPB at that time was well described by Mr. Kang's recollection (Kang, 1988).

“It was as if the EPB was alone, surrounded by enemies and there was no way out. And it became so evident that we needed a series of consensus building strategies...since without the other Ministries with implementing powers the ideas could not be realized...Thus, we held numerous conferences on the stabilization policy and was successful in gaining the support of the academics and the media...”

3) Muddling through with a piecemeal approach vs. Comprehensive approach

When the efforts to drive comprehensive change toward the new paradigm were stuck at the last stage, the government could not but resort to rather piecemeal approaches in order to stabilize shocked Korean economy. For example, they established the Countermeasure Committee for Liberalization of Imports in February 1978 to increase the rate of import liberalization. Also, many policy measures were announced to control the rapidly increasing apartment prices in the same year. Some policy measures produced tangible outcomes. However, as a whole, those piecemeal approaches were not effective and produced limited outcomes since all of these policies to control the rising inflation rates in 1978 were focused on the symptoms rather than the root-cause of expanding money supply in order to maintain fast growth.

4) Crisis (危機) represents Danger (危) and Opportunity(機).

The Chinese word for “crisis” is made up of two characters; one represents ‘danger,’ and the other ‘opportunity.’ Crisis often provides strong rationale for change. Thus, for reformers, crisis can be utilized as a tool with which they can persuade decision-makers and other stakeholders.

Not until President Park perceived the problem situations of the current paradigm for himself did his position start to change. In February 1979, President Park visited Changwon Industrial Park, the center of HCI and just witnessed the huge capacity of the HCI was idle due to extensively duplicative investments. The EPB used this opportunity to advance their arguments against the second wave of additional investments in HCIs.

President Park needed to confirm the validity of the proposal from the EPB by commissioning policy analysis activities on the current economic situations from many different sources, such as the Bank of Korea, Korea Development Institute, and the Economic-Science Council. All of these reports presented similar findings and validated the conclusions of the EPB report. Finally, President Park approved to consolidate all of the reports into a single policy package and implement it. On April 17, 1979, the Comprehensive Economic Stabilization Policy (CESP) was announced publicly.

The hierarchical structure of the government in turn made it easy for the EPB to neutralize the opposition from various Ministries since President Park’s approval of the EPB proposal ended the power game among the Ministries. However, almost all of the business sectors kept complaining about the difficulty of securing financial resources. It would take several years the EPB to implement the CESP and produce tangible outcomes. Thus, another challenge for the EPB was to make Korea endure economic hardships patiently for such a long time.

5) Crisis in Crisis

External contexts surrounding policy-making and implementation often change dynamically. The case of the Korean stabilization policy shows dramatic change of surrounding contexts during policy implementation and how the agents of change responded effectively to address the change.

When the CESP was finally announced and ready to be implanted in 1979, the second Oil Shock hit the country unfortunately. At the same time, rising demand for more democratic society from the public resulted in civil riots in some parts of the country. Under such turmoil, the government should implement the CESP incrementally.

The most breaking change was the political power due to the assassination of

President Park on October 26, 1976. Instead of chaos, the top government officials stood together under the leadership of Vice Prime Minister Shin to send the signal of constant economic policy to the public in no time. During the following three months after the assassination, all of the ministers related to the CESP got together to build consensus to promote national interests rather than their individual ones.

Despite public's aspiration for democracy after the assassination of the authoritative leader, another military coup led by General Chun, Doo-Hwan occurred in December 1979. Nobody could figure out the fate of the CESP under the turbulent political currents since it was so uncertain who would seize political power in the end. At this point, the EPB quickly turned their attention to the general public and other political leaders who had been ignored so far in policy-making processes. In early 1980, the EPB prepared a presentation slides, titled, 'National Economy We Should Think Together' that explained frankly the structural problems of the Korean economy at that time using plain terms rather than technical jargons so that general public could understand the contents easily.

Right after General Chun's military coup, the National Security Council (NSC) became the only decision-making apparatus and General Chun, the Chair of the NSC, assumed the presidency through an indirect election. However, in the same year, Korean economy recorded a negative 6.2 percent GNP growth rate. Thus, overcoming economic crisis became the main agenda for the new political leaders, mostly young military officers, to earn legitimacy of the military coup. The NSC hurried to make necessary reforms with such a basic attitude as "You policy specialists (or technocrats) make the optimal (economic) decisions and we will push them through the political opposition."

Some decisions were quickly implemented through strong-arms tactics of the NSC's despite fierce resistance of stake-holding groups. For example, the Fair Transaction System Law that could not have been enacted due to serious opposition from large conglomerates, *chaebols*, was approved by the NSC in December 1980. As a result, the Fair Transaction Department was established in the EPB. However, other hasty decisions made by the NSC rather distorted the principles of the CESP and the EPB had to be against the NSC's decision. For example, the NSC attempted to consolidate companies within the same industry sectors without due process or appropriate analysis. That decision would weaken market institutions and create monopolistic power over each industry sector, such as automobile industry and electricity-generating equipment industry.

6) It is people not the policies who make a reform happen in the end.

Mr. Kim, Jae-Ik who was selected by Mr. Kang as a government official member

of the special task force team to build a foundation for the stabilization policies remained as an important member of the NSC. Later, Mr. Kim was promoted to the powerful top decision-maker in economic policy in Korea.

Feeling the need to recuperate economic situation as a way to gain political legitimacy on the military regime, President Chun was eager to learn economic policies during his term as the Chair of the NSC. Then, Mr. Kim was found as a private tutor for President Chun and spent at least two hours almost every day in educating President Chun. According to Lee (2008), President Chun seemed to be impressed with Kim's sound logic and capacity to simplify complex economic issues with plain language. Mr. Kim's major points for President Chun were the principles of the CESP.

Finally, when President Chun asked Mr. Kim to be his Senior Secretary at the Blue House, Mr. Kim answered that he would serve under one condition, saying,

“if you are to implement economic policies as I advise you, you will have to face grave oppositions from almost everyone out there. Would you willing to accept and implement my words against all others?”

President Chun replied,

“No need to say anything else. You are the President when it comes to economic policies.”

This anecdotal story suggests the amount of power that Mr. Kim was bestowed by President Chun in formulating and implementing stabilization policies in his political term.

7) Takeover the rival agency by seeding our men!

Although the ministers of various agencies seemed to stand together regarding progressive stabilization policies in the wake of assassination of President Park and new military coup by General Chun, tensions among them reappeared and be intensified when those policies were on the table to be implemented. Conflict lingered between the EPB and the Ministry of Finance and between the EPB and the Ministry of the Trade and Commerce.

The EPB was not always successful in winning over the Ministry of Finance. There were constant debates between Mr. Kim, Jae-Ik, as the Senior Economic Advisor to President Chun, and Mr. Lee, Seung-Yoon, the Minister of the Finance regarding the independency of the Bank of Korea. President Chun initially supported Mr. Kim's position to protect the Bank of Korea from political interference but changed his mind by the arguments of the Ministry of Finance that such a drastic reform might affect negatively the performance of the whole national economy.

However, Mr. Kim's move as a close advisor to President Chun totally changed the power dynamics between the two agencies. What he suggested to President Chun was to reshuffle cabinet members in order to reduce conflicts, but in a way to give more power to the EPB. For examples, reformists in the EPB were promoted to the higher positions in the Ministry of Finance while officials in the Ministry of Finance were demoted to the EPB positions. Consequently, Mr. Kang was promoted to the Minister of the Finance, which completed the takeover of the Ministry of Finance by the reformists from the EPB. Afterwards, the EPB could pursue more stringent policy measures toward stabilization without opposition from the Ministry of Finance.

8) Gain legitimacy on political regime with unpopular policies

Most of the stabilization policies to check chronic high inflation were inherently unpopular since they were supposed to generate burdens and pains for whole society. Thus, new regime created by military coup was in dilemma to earn political legitimacy with unpopular policy measures.

Mr. Kang's remarks in his interview suggest why the government tried so hard to outreach the general public in the area of economic policymaking.

“There was simply too much opposition to the CESP since it created more visible losers (such as large conglomerates, and labor unions) than unorganized and invisible winners (the general public in the long time). Balancing of the political power was necessary, and it seemed that the only viable approach at that time was to create favorable public opinions to put political pressures on actors.” (Cho and Kang, 2013)

Mr. Kang asked the KDI to develop public relations program with a media aimed at generating public support for the CESP. The message of the education program for the public was simple. Implementing such policies would be painful in the short term but beneficial in the long run. Using the media as the tool for public outreach program was possible since the Chun's regime actively controlled the media at that time. Also, the government established the Economic Policy Public Relations Planning Group in November 1981 that became the Department of Economic Education Planning in the EPB later.

Mr. Kim, Jae-Ik, as the Chief Economic Advisor to President Chun, pushed hard for economic education. The target audience included not only the government officials, but also college professors, elementary school teachers, and even soldiers in military service.

It is difficult to assess, however, how effective such massive public outreach

campaign was in generating public support for tough policy measures since the military regime of President Chun was also suppressive to opposition and no one freely could voice their opinions at that time.

Conclusion

KSP modularization projects as case studies on Korean development experience have lots of potential as a knowledge-sharing tool for international audience who wonder how Korea achieved so much so far. Unlike academic analysis focusing on causality between policy measures and impacts, case studies set up specific audience, that is, actual policymakers and practitioners, who should adjust, internalize, and implement shared knowledge.

When knowledge of development is constructed in the form of case study as in Korean modularization project, audiences are not specified but global. It is impossible for knowledge producers to understand every different context and situation of potential recipient countries. Thus, knowledge producers should explicitly explain their own contexts, capacities, and challenges that they faced in their development so that audiences could identify similarities with and difference from theirs.

A success story can be regarded basically as a story where actors face daunting challenges and overcame them. Thus, all the case studies can be sorted out according to the typologies of challenge that the actors face in development. The challenges may be distinct under specific contexts, but some are very general. We can distill some general sets of challenges from the Korean case of stabilization policies of early 1980s. For example, one general challenge is to persuade decision-makers who hold belief that their conventional wisdom will be successful forever although successful policies in the past often create unexpected negative consequences. Or, a challenge for reformists is always to build consensus among opponents and many other stakeholders who will be negatively affected by reform packages. This article tries to argue there are more important knowledge base of tacit knowledge of ‘how-to’ apart from the substantive policy measures as explicit knowledge. One way to draw tacit knowledge is to generalize challenges and crisis at most abstract level so that all the producers and audiences can share its implications.

Cho and Kang (2013) elaborated wonderfully how a few Korean reformers responded to constantly rising challenges. Such knowledge on how they did it cannot be articulated clearly only with explicit knowledge of policy measures and their impact since such tacit knowledge is embedded in peoples’ perception, value, their tasks, routines, and capacity.

If all the case studies in KSP modularization projects can be utilized in a way to deliver tacit knowledge of ‘how-to’ overcome challenges effectively, then knowledge

producers may identify hidden capacity of Korean people with which they were successful in facing challenges and crisis and finally overcoming them. Such capacities should be shared and built through knowledge sharing activities between Korea and other partner countries. Finally, the KSP modularization case studies can be reconfigured for story-telling and discussion in group settings so that they could adapt tacit knowledge under their different contexts from those in the past in Korea. In doing so, more audiences in recipient countries will be attracted to such a case study and internalize that case if they can not only identify similar general challenges in that case that are constantly rising in their development path and but also differentiate distinct challenges from their own.

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