**THE PARADOX OF NEW TRADITIONAL CONFUCIAN ECONOMICS IN THE TWO KOREAS**

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 Abstract:

 This paper considers Confucian influence in the economic systems of North and South Korea within the context of the context of the *new traditional economy*, introduced by the authors initially in 1996. Such an economy seeks to be modern technologically and in other ways, but also is embedded to some extent within a traditional socio-cultural tradition, usually tried to a traditional religion. In the case of the two Koreas, they both come from a strong Confucian tradition even though their current systems are very different, with the North Korean the purest remaining command socialist system in the world, while the much better performing South Korean one is mostly market capitalist, although with a history of considerable amounts of indicative planning. Both officially reject Confucianism as an official ideology, but both show substantial Confucian influence, particularly emphasis on the importance of education and the role of the family, although in South Korea this is more through family leadership in the *chaebol* corporations whereas in North Korea it is through the dynastic leadership. However, they differ on other aspects, with North Korea emphasizing certain aspects not aiding economic growth such as an anti-mercantile attitude and isolationism with its *juche* policy of self-reliance.

JEL Codes: P, O

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**Introduction**

 The paradox of the *new traditional Confucian economy* in the two Koreas is that while both of them they are officially anti-Confucian, they are both deeply influenced by Confucian ideas, practices, and institutions. New traditional economies seek to be technologically advanced high income societies, but have important elements of their economies embedded in a broader socio-cultural context, usually that of a religion (Rosser and Rosser, 1996). However, in most this takes the form of a political movement actively seeking to bring about or increase this embedding, with such examples as Iran and Islamic economics being prominent. Even within East Asian nations, most of those that might be argued to be somewhat new traditional Confucian in their orientation, such as Japan or Taiwan, at least have leaderships that are sympathetic to their Confucian heritage, if not necessarily actively pushing it (Rosser and Rosser, 1998). This contrasts with both of the Koreas, where there is official opposition to Confucianism as a doctrine to influence society in both nations, even though it has long been argued that Korea is the most Confucian of all countries.[[1]](#footnote-1)

 Even as they share a common heritage of strong Confucian influence with current official opposition to Confucianism, the two Koreas have sharply contrasting economic and political systems, with sharply contrasting relative performances. South Korea (Republic of Korea , or ROK) is now largely democratic with a mostly market capitalist economy, if with remnants of an earlier strong indicative planning system that operated under a strong military dictatorship during the 1960-70s. It has moved into the ranks of high income nations and is home to one of the world’s most technologically advanced companies, Samsung. In contrast, North Korea (Democratic Peoples’ Republic of Korea, or DPRK) is a family-run military dictatorship whose economy continues to be the most intensively centrally planned socialist economy in the world, even as official ideology has drifted from Marxism-Leninism towards nationalism, a system that resembles that of the Soviet Union’s under Stalin more than any other in the world.[[2]](#footnote-2) While in the years immediately following the Korean War the North Korean economy grew more rapidly than that in the South, this changed in the 1960s, and today North Korea is more than an order of magnitude lower in per capita income than South Korea and has experienced repeated famines.

 This paper extends the discussion in Rosser and Rosser (2011) where it was argued that South Korean Confucianism represented a successful fusion of new institutional and new traditional forms in a competitive economics as civilization (Kuran, 2009),[[3]](#footnote-3) even as North Korea failed to do so due to emphasizing anti-mercantile elements of Confucianism. Here we shall link the differences between the Confucian influences in the two Koreas with deeper conflicts within the historical Confucian tradition within Korea, while bringing out more clearly the extent of the anti-Confucian official positions in both nations, the central part of the paradox.

Ironically, it may be that it is North Korea that is more strongly Confucian than South Korea overall, even as it more completely suppresses Confucianism officially. Whereas our previous paper emphasized developments in South Korea, we shall consider more in depth what has transpired in North Korea in terms of practice and ideology, with this possible due to new materials on developments becoming available recently (Song, 2010; Kang, 2011; Kallander, 2013), although further observations about South Korea will also be made. Indeed, our major conclusion is the paradox, which we did not previously emphasize, the degree to which both of them practice Confucianism while also condemning it. We also find more strongly the conclusion merely hinted at in the earlier paper but stated above: that probably it is North Korea where Confucianism is more strongly influential than in South Korea, although clearly a very different brand of Korean Confucianism.[[4]](#footnote-4)

**The New Traditional Economy Reconsidered**

 Rosser and Rosser (1996, 1999) introduced the concept of the *new traditional economy* into the study of comparative economic systems. It extends the old institutionalist idea of the *traditional* economy as developed by Karl Polanyi (1944). This is part of a classic triumvirate of decisionmaking systems, of which the other two are *market* and *command*. Combining these with systems of ownership provided several of the major categories of economic systems considered in the world economy over time, with the basic split being between private and state ownership. Thus we can see the widespread *market capitalism*, with the other main categories being *market socialism*, *command capitalism*, and *command socialism*, which North Korea is the purest remaining example of in the world today, even as it has reduced that purity substantially by introducing market forces since the famines of the 1990s, particularly in agriculture. The general view has been that as economic development has occurred, the older traditional economies in which economic activity is embedded in a socio-cultural system or civilization have tended to fade away to be replaced by these other systems, although Ostrom (1990) and others have noted that systems of common ownership observed in many traditional economy may offer an alternative to the simplistic division between private and public ownership systems.

 For Polanyi he saw the origins of these systems in early economies, following his *substantivist* approach to economic anthropology. This contrasts with the *formalist* approach (LeClair and Schneider, 1974) that in effect denied the usefulness of an institutionalist approach, seeing all systems as essentially forms of markets to be analyzed using conventional neoclassical economics. A society may look like it is following some traditional system or some command system, but really these forms are mere masks for the underlying supply and demand conditions in the economy. A response by the substantivists to this critique is to note that in certain primitive societies studied by anthropologists, such the Trobriand Islanders studied by Malinowski (1922), the ritual *kula* exchange is clearly distinguished from more straightforward market exchange, with the former clearly happening within a socio-cultural religious framework.

 In the primitive economies considered by Polanyi, his original model for the traditional economy was *household sharing*, the model for the market economy was *reciprocal exchanges*, and the model for the command economy was the *redistributive system*, often associated with Big Man type systems. In these early economies the ownership systems tended to be various forms of commons, thus fitting into an Ostrom framework, although in the more extreme Big Man frameworks most goods may be the property of the Big Man to the extent that property is that well developed as an institution. It must be noted that his view of the historical sequence shifted somewhat over time (Polanyi, 1957) as he became aware of increasing evidence that reciprocal exchange systems probably predated the household sharing ones.

 The new traditional economy essentially involves a revival of the traditional economy within a technologically advanced economy, the effort to embed a modern technologically advanced economy within a traditional socio-cultural structure. A characteristic common to many forms of it is to view society as a family and economic institutions also as families,[[5]](#footnote-5) a *familistic groupism*. In its form in Islamic economics (Rosser and Rosser, 1998) the new traditional economy is a global movement among Islamist political leaders emphasizing introducing *Shari’a* law codes into modern Muslim societies. This movement began with Maududi (1975 [1947]) in the newly independent nation of Pakistan, where there was a conscious effort to establish a modern Islamic state, even though its founder, Ali Jinnah, advocated an ultimately secular society. Elements of Islamic economics have spread to many nations, particularly the use of Islamic financial systems, with some such as Iran making more intensive efforts to follow Islamic law in economic and social life.

 Another example that has not been able to impose its views fully is the *Hindu economics* movement in India (Rosser and Rosser, 2005), associated with factions of the Bharatia Janata Party (BJP). Based substantially on ideas expressed in the *Hind Swaraj* of Mohandas Gandhi (1958; Upadhyaya, 1965) , this movement has more recently come to consciously imitate that of the Islamic economics movement (Bokare, 1993), although with a more specifically nationalist element to it (Pattanaik, 1998). However, India remains probably the nation that contains within it the world’s largest ongoing old traditional economy in its rural areas, the *Jajmani* system of labor exchange associated with the Hindu caste system. That the caste system is not officially recognized and even legally discouraged, makes for a comparison with the Koreas, where the old Confucianism is officially discouraged also. But, the old traditional economy continues despite official opposition. However, in the Koreas their degree of technological advancement means that what is being opposed even as it continues to influence the current economic conduct must be viewed as having at least partly a new traditional aspect, in contrast to what goes on in rural India.

 Other apparently new traditional movements have been perceived to exist in *Judaism* (Tamari, 1987; Neusner, 1990), *Buddhism* (Spiro, 1970; Keyes, 1993), and *Sikhism* (Oberoi, 1993). There have also clearly been such impulses within various branches of *Christianity*, with the Christian Democratic parties in Europe after World War II arguably representing such a movement for Roman Catholicism, although the Church has long issued proclamations regarding its views on appropriate economic policies, with some arguing that it was the origin of the idea of corporatism in political economy (Pryor, 1988). For its more recent positions, see Benedict XVI (2009), with his successor, Pope Francis I, emphasizing elements of this view that express concern regarding excessive materialism and income inequalities.[[6]](#footnote-6) While Protestant Christianity is often thought to simply support market capitalist ideas along the lines of Weber’s (1930 [1905]) *The Protestant Ethic and the Spirit of Capitalism*, some alternatives to this have also been formulated and advocated (North, 1987; Wallis, 1987).

 However, it must be recognized that the most fully articulated, self-conscious, and successful in achieving power in several nations has been the *Islamic economics* version of the new traditional economy. While it arguably started with Maududi in 1947, it made little headway for several decades, only really picking up steam as oil money flowed more substantially into the Muslim heartland starting in the 1970s, which led to the beginning of an international Islamic banking movement backed by the Islamic Development Bank based in Saudi Arabia, and culminating in the Islamic Revolution in Iran. Since then there has been substantial development and growing influence of this movement (Siddiqui, 1980; Nasr, 1994), despite many contradictions and failures within it (Kuran, 2005).

 Regarding the intersection of new traditionalism and new institutionalism, the obvious link is that shared cultural values and norms among economic agents can bring about lower transactions costs in their interactions, including if the norms involve economic conduct, even if some of these norms might appear to be inefficient on superficial consideration, such as the forbidding of interest in Islamic economics. Much of this reduction in transactions costs may be due to higher levels of trust (Fukuyama, 1995; Zak and Knack, 2001; Buchan and Croson, 2004; Putnam and Campbell, 2010). Clearly, the success or failure of new traditionalist movements that come to power depend on whether they succeed in reducing transactions costs, or do the doctrines and norms that are to be followed raise them and disable successful economic development?

**The Emergence of New Traditional Confucian Economics**

 Confucianism originated in China and is most influential in societies that either have substantial Chinese populations or were strongly influenced by Chinese culture, with the most important of those lacking large Chinese populations being Japan and Korea, with Korea having historically served as the transmission bridge for Chinese cultural influences to pass to Japan, not only Confucianism, but Buddhism even earlier. Indeed, all three nations have traditionally had three main religions: Confucianism, Buddhism, and a local one emphasizing multiple nature gods and magic, although in South Korea Christianity has come to have about a quarter of the population adhering to it during the past century. While Confucianism started in China and spread to Korea and then Japan, Buddhism was an international religion that began in South Asia, entering China from Central Asia first of the three from where it spread through Korea to Japan. The local religion of China is *Taoism*, of Japan is *Shinto*, and of Korea is the less well-known and less well organized *Sinkyo* (Osgood, 1951; Conn, 2005).**[[7]](#footnote-7)**

 Traditional Confucianism has long had a strong *familistic groupism* aspect to it. Social harmony and hierarchy are emphasized, with the father of the family to rule the family, and the emperor or national leader to lead the nation like the father leads a family. Seniority and rank based on educational attainment form the basis of this social harmony, as well as the rule of men over women. However, even as the hierarchical and non-democratic aspects of Confucianism are often emphasized in discussions of Confucian influence in modern Asian societies, Confucius himself and many of his followers always made clear that a leader who did not rule justly or well could lose the *Mandate of Heaven*, which could justify his overthrow by his subjects. In the 10th century, *neo-Confucianism* appeared and came to dominate in China by the 12th century, which had a more authoritarian view and also sought to suppress competing religions, even as it incorporated elements of Taoism and Buddhism. It was this form of Confucianism as it was formulated by Chu His (Zhu Xi) in the 12th century[[8]](#footnote-8) that would come to dominate in Korea with the coming to power of the Choson dynasty in 1392, after several dynasties during which Buddhism had dominated, but had come to be viewed as corrupt.

 That Confucian influence might aid economic development was only first noticed by Kahn (1979), with this then becoming a widely recognized possibility (Hung-chao, 1989; Rozman, 1991; Rosser and Rosser, 1998; Zhang, 1999). Earlier, drawing on characterizations by observers such as Weber (1930 [1915]), elements of Confucianism were focused on that seemed antithetical to economic growth, particularly the denigration of mercantile activities,[[9]](#footnote-9) along with a certain tendency to prefer to close up a nation or society to external influences, including trade.[[10]](#footnote-10) After Kahn, those that supported economic activity came to be focused on more, such as the admiration for education and how emphasizing harmony could reduce transactions costs.

 Indeed, it could be argued that the first new traditional economy was Japan after the Meiji Restoration. After being forcibly opened up by Perry’s “black ships,” Japanese policy after 1868 consciously sought to integrate outside modern influences in science and technology while seeking to preserve Japanese culture, with this being enforced through a more strongly asserted Confucianism reinforcing traditional Shinto emperor worship, with the role of the emperor newly emphasized after the overthrow of the rule by the shoguns during the Edo period of isolationism. This approach was symbolized by the phrase *Wa-kon Yo-sai*, “Japanese spirit and Western ability.” Japan’s ability to do this and become the first non-European nation to industrialize could be argued to be the first success of the new traditional economic system in practice, and many continued to see such a pattern in the post-World War II Japanese economic system, despite the many political and institutional changes brought about by the period of American rule.

 Curiously, somewhat related to the differing interpretations of Confucianism we find in the two Koreas, there also appears to be different interpretations of Confucianism in the two Chinas, the communist-ruled Peoples’ Republic of China (PRC) and the largely market capitalist Republic of China, or Taiwan. A difference is that in both of these there is more official acceptance of Confucianism than in the two Koreas. Starting in the early 1990s after the Tienanman Square uprising, Confucian temples have been allowed to reopen in the PRC, with public officials more openly using Confucian doctrines to argue for the authority of the state against liberalizing political movements, although the status of Confucianism in the PRC remains a matter of ongoing dispute and controversy. In Taiwan, Chiang Kai-Shek long officially argued for a Confucian basis for his regime.

 A recent study by Liu et al. (2014) shows based on laboratory experiments in the two Chinas that people appear to react quite differently to exposure to Confucian values. In mainland China they seem to become less Confucian and more risk loving, less loss averse, and more impatient, whereas in Taiwan they tend to become less present-based and more trustworthy. This might fit with the idea that in still officially Communist China, Confucianism becomes a vehicle for introducing more market capitalist attitudes, whereas in already strongly market capitalist Taiwan, it works against such attitudes. Needless to say, these results will need further confirmation, but they may not appear to translate all that well to the two Koreas, although as long as North Korea remains so closed, such a comparative lab experiment for the two Koreas will be impossible anyway.

**The Special Development of Confucianism in Korea**

 While Confucian influence had arrived earlier, it only displaced Buddhism as the ruling religious philosophy of Korea during the *Choson* dynasty (1392-1910). Entering initially as Chinese neo-Confucianism as formulated by Chu His (Zhi Xi), Korea would gradually become the isolated *Hermit Kingdom* that kept itself separate from outside influences, especially after suffering defeats in wars with Manchuria and Japan around 1600 that resulted in much destruction within Korea. Its ruling *yangban* elite gradually developed their own version of neo-Confucianism, although it is a curious fact that some of the larger changes would come from occasional interjections of outside influence from time to time (Deuchler, 1992; Cumings, 1997; Kleiner, 2001; Chung, 2006; Song, 2010), although in the early days of the dynasty it was open and a world technological leader in such areas as printing and armored ships.

 One of the most important periods in the development of a distinctive Korean neo-Confucianism was the *Sirhak (or Silhak)* movement, usually translated as “practical learning.” This reflected influences coming from China, the one nation that Korea maintained some connection with as it became increasingly isolated, with the initial introduction after 1600 coming after Yi Su-kwang visited Beijing. It viewed itself as critical of the established neo-Confucianism of that time, with Korean military defeats making an opening for some reforms. Curiously, one of the more important parts of this influence involved Christianity,[[11]](#footnote-11) particularly Catholicism, which had gained a foothold in China due to Jesuit missionaries, although they would eventually be expelled. Only a few actual Europeans entered Korea to spread this influence, with more of it coming from Koreans who visited China or Catholic-influenced Chinese visiting Korea. Among the ideas this Catholic influence introduced was an emphasis on personal well-being and justice.

 The figure often seen as codifying a late Choson form of Korean neo-Confucianism incorporating these Sirhak influences was Chong Yak-Yong (1762-1836), known by his pen name, Tasan (Chung, 1995). He focused on the “three bonds,”: son to father, subject to king, wife to husband, and reasserted the “five moral relationships”: affection between father and son, proper order of old and young, righteousness between king and subject, proper separation of functions between husband and wife, and faithfulness among friends, with all of these based on the Confucian harmony of *jen* (Deuchler, 1992). While initially focusing on practicality and fairness, this assimilation of Sirhak ideas after Tasan became the especially ossified version of Korean neo-Confucianism wielded by the yangban elite to dominate an increasingly economically backward and stagnant Hermit Kingdom as the 1800s proceeded.

 This ossified Korean neo-Confucianism, which inculcated the worst of the economy-stalling anti-mercantilism and isolationism, would face a new challenge with the *Tonghak* movement begun by Ch’oe Cheu, who was martyred in 1864, but whose followers expanded in number after that to lead a full-scale uprising in the 1894 that would trigger the beginning of the end of the Choson dynasty (Kallander, 2013). Like the Sirhak movement, this one also drew heavily on outside Christian influences, as well as long-suppressed Buddhist and Sinkyo influences, and more strongly emphasized justice and peasant rights, fundamentally asserting the unity of the human and the divine that asserted the dignity of individual people regardless of their socio-economic status. But it would not be assimilated into the existing Confucian doctrine or system. The rebellion was so severe that the Korean government led by the yangban elite called upon the Chinese government to intervene to help put down the rebellion. The Chinese did send in soldiers to assist, however, the Japanese also did so uninvited. Their forces clashed, setting off the 1894-1895 Sino-Japanese War that the Japanese won, with Taiwan and other territories coming under Japanese rule at that time, although not Korea itself until 1910. In any case, the Tonghaks were successfully suppressed, although some of their ideas about peasant uprisings would be picked up later by the North Koreans, and it has been viewed more broadly in both Koreas as an important inspiration for Korean nationalism (Chong, 1969). Their remnant formally became the eclectic *Ch’ŏndogyo* religion in 1905, which not only persists in South Korea but is apparently experiencing a new popularity with as many as three million followers recently.

 With the conquest of Korea by Japan in 1910 and their subsequent rule until 1945, Korean Confucianism in effect went underground, replaced as a ruling ideology by its Japanese cousin discussed above, with a Shinto overlay. This would damage Confucianism in the eyes of many Koreans for its inability to withstand the Japanese invaders, while ironically the Japanese rule in many ways continued and even reinforced the traditional Confucianism of Korean society. When the Japanese were overthrown and expelled in 1945, there would be a strong revulsion against Confucianism on both of these grounds, its identification with a weak feudalism that could not defend itself against Japan,[[12]](#footnote-12) and also its identification with the hated Japanese rulers. But part of this official revulsion, which would continue in both the North and the South, also reflected how strongly entrenched that influence was in Korea, the land that in the late 19th century had been “at times even more Confucian and traditionally Chinese than China itself” (Reischauer and Fairbank, 1960,. P. 426).

**South Korean New Traditional Confucianism**

 There is no disagreement that South Korea has exhibited one of the most successful growth stories in the world economy, coming off of deep poverty in the post-Korean War period when massive destruction had left both parts of Korea in deep poverty, with per capita incomes substantially less than $100 US per person (Kim, 1992).[[13]](#footnote-13) During the 1982-1992 period it had the most rapidly growing economy in the world, and one of the highest growth rates ever seen (Rosser and Rosser, 2004, p. 555). It was not initially obvious that the ROK would arrive at such an outcome as the immediate post-Korean War regime under Syngman Rhee was very corrupt with very slow growth easily outstripped by North Korea’s. Only after he was overthrown in a coup by military leader Park Chung-Hee in 1960 did South Korean growth take off, particularly after the introduction of indicative planning in 1962 (Kuznets, 1990), which would end in 1996. Park would be assassinated in 1979 by his intelligence chief in 1979, but it was only in 1988 that the ROK really began to move towards democracy with a two party system now functioning more or less well, and the current president the daughter of the late dictator Park.

 The South Korean economy under Park was strongly centrally directed, with its system of indicative planning arguably the closest to command planning of any observed in the world (Japan, India, Iran, and France were other prominent nations that practiced indicative planning). It was largely capitalist in the sense of private ownership of the means of production, although banks were state-owned until the 1990s, and it was through them that the central planners exercised their direction of the economy by prioritizing investment in certain sectors at different times. While a degree of centralization is consistent with traditional Confucian doctrines (Boyer and Ahn, 1991; Rozman, 2012), Park’s approach to economic development policy was much more based on imitating the model found in Japan, which also has Confucian elements to it.

 The institutional element of the ROK economy that exhibits strong Confucian influence and still dominates that system is the conglomerate style *chaebol* (or *jaibul*) corporations. These were essentially modeled on the pre-WW II Japanese *zaibatsu*. In contrast to the chaebol, the zaibatsu had banks at their centers, and starting in the late 1960s many of the former zaibatsu effectively reemerged as groups known as *keiretsu* of closely associated and coordinating firms in different sectors related through their bank, with some such as Mitsui and Mitsubishi very much resembling their former selves, if remaining technically a set of independent firms. In contrast, the chaebol have been full conglomerates like the old zaibatsu, but lacking a bank for any of them, with those nationalized under Park, but privatized and independent from the 1990s on.

 Their position in the ROK economy has fluctuated over time. They were without question the leading force in that economy from the 1960s until the mid-1990s, as the ROK engaged in a variety of reforms associated with joining the OECD, including opening up its capital markets along with ending central planning and privatizing its banks. They came under sharp criticism and legal attack after the ROK suffered badly during the East Asian financial crisis of 1997, which many thought they played a negative role in bringing on. The largest of them, Hyundai, was broken into three parts, and a variety of restrictions were placed on them. It seemed that their day was done, and indeed their output as a percentage of the ROK economy declined for a few years according to some sources and much publicity (Chang, 2003). However, this has turned around, and the chaebol have returned to their leading position in the ROK economy more recently (Cheong, et al., 2010). The supreme sign of this is the emergence of Samsung as not only the most famous company in in Korea, but as the chief competitor at the global level of Apple for dominance in some of the most technologically advanced industrial sectors, and Samsung is a chaebol.

 Rosser and Rosser (2011) argue that the chaebol embody crucial aspects of Confucian influence within the ROK economy, and that in this case one sees the confluence of the new traditional and the new institutional economy: the Confucian influences are associated with transactions costs-reducing elements. Among these are the emphasis of family and harmony within the firm, whereas the other major Confucian influence in the ROK operates throughout the economy, the emphasis on and respect for education. Most of the chaebol remain family firms with the CEO the patriarchal leader of the family. Kee (2008) documents the blood succession of control in leading chaebol, including Samsung, Hyundai, Lucky Goldstar, and the Ssangyong Group. To quote Cumings (1997, p. 327): “So these large kingdoms, [are] said to be run by men of unimpeachable morality and integrity in good Confucian fashion, expecting loyalty and distributing beneficence, even more than [in] the old court system.”

 Nevertheless, for all the rhetoric regarding how workers and management should relate, the South Korean chaebol have been less successful than their Japanese counterparts in achieving workplace harmony. Whereas after the 1950s and until quite recently, the Japanese management system involved setting up docile company unions with few strikes or open conflicts appearing for decades, this has not been the pattern in the ROK. Under Park Chung-Hee there simply was an authoritarian suppression of all labor activity, with protests and strikes breaking out from time to time. While relations have improved since then, relations are not as harmonious as in Japan, although more so in the chaebol sector than in other parts of the ROK economy (Koo, 2001).

 More broadly, this failure to fully follow Confucian ideals of harmony in labor-management relations carries over to other aspects of management in chaebol firms. Hierarchical structures have undermined the ideals leading to problematic outcomes. As Kee (2008, p. 14) puts it referring to these failures, “This has created the problem of favoritism as well as the unfairness and inefficiencies in Korean management.” As it is, this can be argued to show a possible negative outcome of Confucian influence in firm management: that the tendency to keep control within a family may lead to the “favoritism” that can lead to the “unfairness and inefficiencies” noted above, which may offset gains from trust that might otherwise lower transactions costs.

 It must be noted that some argue that the Confucian influence in the ROK is declining, with it being strongly associated with a backward looking conservative tradition that seeks the suppression of women and defense of an anachronistic approach to education. Boyer and Ahn (1991, p. 58) report surveys of rural migrants to urban areas who seem to discount the influence of elders, with Chang (1997) reporting on the changing role of the family in the society. The issue in education has been quite controversial, with strong movements away from rote learning that many associate with traditional Confucianism (Chang, 2009). Even as Confucianism may be declining in South Korea, one of its darker sided, the downgrading of the position of women, remains strongly in place, with the nation getting rated 111th among 130 nations in the world on having reduced its gender gap, with nearly all the lower 19 nations being Muslim (World Economic Forum, 2013).

 Thus, we are left with the paradox for South Korea of the role of Confucian influence in its economy. On the one hand it is officially unrecognized[[14]](#footnote-14) and in retreat in influence in various parts of the increasingly open and cosmopolitan society, particularly within families as women gain rights and in education where innovative thinking is increasingly emphasized over rote learning. On the other hand, along with the general respect for education, the leading organizations in the economy, the chaebol firms, continue to show strong Confucian influence in their structure and management. That these issues are controversial within South Korea may be the surest sign of the ongoing strength and significance of the Confucian influence in that society.

**North Korean New Traditional Confucianism**

 Now we come to the more paradoxical part of this, that it appears that the influence of Confucianism may actually be stronger in North Korea than in South Korea, even though the official suppression of Confucianism is much stricter and harsher in the North than in the South. The DPRK shares with the ROK a Confucian respect for education, even if one might well question the quality of that education in many subject areas in the North, given the emphasis on ideological indoctrination in *KimIlSungism*, which is supposed to have replaced Confucianism as official doctrine in the DPRK. In both societies there has been a loosening officially of rules imposing traditional Confucian relations in families, with the DPRK perhaps having more vigorously emphasized the liberation of women than in the ROK[[15]](#footnote-15), although it is the ROK that has become the first to have a woman as the national leader. In any case, both continue to show the traditional Confucian view of family relations in society in important ways, with the role of families in the chaebol of South Korea and the emphasis on dynastic succession for the leadership of North Korea.

 The case for arguing that the DPRK is more Confucian than the ROK involves its apparently following two aspects of Confucianism quite strongly that appear to have little or no hold in the South. One is the isolationism associated with the self-reliance policy of *juche* (or *chuch’e*), arguably the central tenet of KimIlSungism[[16]](#footnote-16) that distinguishes it from the versions of Marxism-Leninism found in the former USSR and in the past in Maoist China. This isolationism makes North Korea very much resemble the old “Hermit Kingdom” of the late Choson in its last centuries. It can be argued that during the Park Chung-Hee period there was some degree of isolationism, particularly in its forbidding of any foreign direct investment into the ROK, along with a degree of protectionism.[[17]](#footnote-17) But this has mostly faded away now and was never remotely as extreme as the isolationism evident in the DPRK.

 The other is in its strongly anti-mercantile attitude, noted in the quotation above by Shils (1996) regarding the views of Confucius and Mencius that merchants were “small men” whose conduct was simply unimportant for society more broadly due to their excessive focus on profits rather than knowledge or ethics. This was long the element of traditional Confucianism that outside observers (Weber, 1968) identified as the key to how Confucianism might hold back economic development relative to such religions as Protestant Christianity or even Islam. Clearly, this attitude is completely gone in the ROK, along with pretty much all other predominantly Confucian societies such as Japan and Taiwan, and even increasingly in the Peoples’ Republic of China, where a revival of Confucianism has been countenanced openly, presumably to emphasize its emphasis on respect for hierarchy and order. But China has largely eliminated its anti-mercantile attitude despite some recrudescence of it among harder line remnant Maoists. Only in North Korea does one still find a strongly anti-mercantile attitude as one would have found in many of these nations in the 19th century, along with the peculiarly Korean isolationism.

 Cumings (1997, p. 413) highlights how long and deeply entrenched this perception of a stronger Confucian influence in North Korea than in South Korea has been:

 “The resonance with Korea’s past means that the DPRK often impresses foreign visitors precisely in its cultural conservatism: a Japanese visitor old enough to remember prewar Japan remarked on the similarities he found in the ‘antiquarian atmosphere’ of North Korea…The antiquarian aspect of this regime thus extends to an elite that has the same sense of birthright and entitlement as the old yangban (and for a minority that travels abroad, a life of world class privilege). There is a yawning chasm between the elite prerogative and the difficult daily lives of nearly everyone else.”

 As it is, study and discussion of the underpinnings of ideology and policy in these matters has advanced in more recent years as certain materials became available after the 2000 diplomatic opening between the two Koreas. This reconsideration has also revived attention to earlier work that had been mostly ignored on the topic. Crucial to this reconsideration has been the publication of Song’s (2010) *Human Rights Discourse in North Korea: Post-Colonial, Marxist, and Confucian Perspectives*. She emphasizes the links between North Korean attitudes on social and political issues and those from the Choson period, particularly regarding the Sirhak period of “practical learning” and the Tonghak uprising. While these were arguably variants of traditional Korean neo-Confucianism, they also took it seriously, with parts of the Sirhak being clearly a modification of it that became entrenched as part of the orthodoxy. Post-colonial discussion appeared after 1945 and Marxist influence became important after 1948. However, the revival of Confucian influence appears to be associated with the appearance of the “Our Style” view of human rights (*urisik in ‘gweon*) under Kim Chong Il in 1995, the year after his father’s death, arguably the main ideological deviation he made from his father’s doctrines, with the revival of more traditional attitudes toward women a part of this (Levi, 2012). According to Song, while this involved some recognition of outside views of human rights, including even some discussions of the work of Robert Nozick (1974), the emphasis remained on the duty of the citizen to the leader and loyalty to the party, with rights ultimately to be granted by those authorities rather than being inherent in individuals. Realizing this has led to an ongoing reevaluation of the intellectual role of Confucianism in North Korea, with this influence appearing to grow under the new leader Kim Chong Un, who has used it for political purposes not all that different from in China, to reinforce respect for the centralized leadership (Kang, 2011).

 The emphasis on the Sirhak and Tonghak ideas was particularly useful for the North Koreans according to Song as they both supported peasant rights against the ruling yangban elites and also an emphasis on materialism and science.[[18]](#footnote-18) Indeed, the youth wing of the ruling party in the DPRK claims direct descent from a group formed by the Tonghak rebels in the 1890s. The regime is able to maintain its condemnation of Confucianism as a whole (which was particularly emphasized during campaigns in the 1970s under Kim Il Sung), but draw on these reformist Confucian ideas to support current nationalistic approaches. Song summarizes the recent DPRK views on Confucianism as follows (Song, p. 73):

 “First, Confucian influence over the formation of rights think in the DPRK included: (i) the role of the ‘virtuous’ ruler for his country and people, particularly in the area of people’s material well-being; (ii) the passive form of granted rights rather than the active form of claiming rights; (iii) citizens’ duties in return for granted rights; and (iv) the ultimate goal of achieving collective unity and social harmony by emphasizing the roles and duties of both the ruler and the ruled. It is significant that ‘virtuous politics’ is the term used under Kim Jong [Chong] Il’s ‘our style’ of human rights. The family was the basic social unit but maintaining a stable family also implied significant responsibilities for each member of the family…the DPRK government employed familial images depicting the entire society such as the parental leader, motherly party, and thus, by implication, citizens as children.”

 Kim Il Sung had used Confucianism to support his insistence on following the Soviet and Maoist model of socialist realism in art, with Confucianism emphasizing how art should reflect the ethical code of society (Howard, 1996, p. 172). Kim (2010) further explicates how North Korean art involves a systematic blending of socialist values with Confucian ideology and imagery. This is exemplified in the national symbol of a Chinese calligraphic brush standing between a hammer and sickle. Miller (2003, p. 31) reports that the Chinese viewed Kim Il Sung as “a person with Confucian virtues,” even as they criticized him for these, particularly when he engaged in elaborate rituals honoring his Christian parents.

 Cumings (2004, p. 134) notes earlier South Korean scholarship that emphasized how closely the North Korean model followed the ideas of the codifier of Chinese neo-Confucianism from the 12th century, Chu His (Zhu Xi), quoting Lee (1976, p. 130):

 “What has happened in North Korea for the last quarter of a century may be summarized as a transformation into a new Confucian society or family-state that is well integrated as an extension of filial piety, expressed through strong loyalty to its leader. To some extent, then, it may be said that the society Chu Hsi had dreamed about has materialized in Communist North Korea.”

 Curiously, Song takes this further. Even as she emphasized the important role of traditional Korean neo-Confucianism, especially as modified by Sirhak and Tonghak influences, on North Korean idedology, she sees the personality cult in that nation as moving well beyond Confucianism to something else. This would be something closer to a “supernatural shamanism,” especially when one considers that increasing emphasis on such fantastic elements as the increasingly racist emphasis on how the Kims and the Koreans as a whole are supposedly descended from Tangun, supposedly himself the son of a bear and a god, with Kim Il Sung having claimed to have discovered the site of Tangun’s grave. While there is much racial and cultural pride in South Korea, one does not find this sort of claim being asserted there, which is something revived from the days of the Confucian Choson Hermit Kingdom.

**Conclusion**

 This paper has examined the paradox of how both Koreas simultaneously reflect strong Confucian influence on their current economies in crucial ways while officially rejecting that influence. In this regard, it can be argued that they are not new traditional economies in the standard sense that this implies an active effort to embed a technologically modern economic system into a traditional socio-cultural one. Instead, both of them are still embedded in alternative forms of the remnant Confucian influence from Korean history prior to the Japanese conquest over a century ago.

 Both share a respect for education and family hierarchical structures. However, their respective economic performances have been dramatically different. The South has been one of the most economically successful of nations, arriving at a high level of per capita income fairly recently, whereas the North is mired in stagnation and periodic famine. Whereas the emphasis on family has been used to reinforce strategies used by the dynamic and successful, family-owned chaebol firms in South Korea, in the North it has been used to reinforce the authority of a dynastic dictatorship that seems intent on enriching a small elite that surrounds and supports it at the expense of the majority of its citizens.

 Finally we have the curious phenomenon that the North may be more committed to Confucianism than the South, even if unconsciously so, and in this regards emphasizes aspects of traditional Korean neo-Confucianism that are inimical to economic growth, with the South ignoring these. One of these is a general anti-mercantile attitude, and the other is its isolationist emphasis on self-reliance, its juche policy that leads it to imitate the “Hermit Kingdom” of Choson Korea prior to its conquest by Japan in 1910. While North Korea continues to officially suppress Confucianism, it has recently begun to revive discussion of it, using it to support its dictatorial regime, somewhat imitating what has been going on in China in this regard recently.

 In contrast, in South Korea one finds an ongoing active effort to move away from Confucian influence in parts of Korean society, even as the influence remains large. Thus, improvements in womens’ rights are being made even if the society remains far behind most nations in the world on this, and in education moves towards emphasizing open discussion and innovation rather than rote learning are being made. Thus we have as our final paradox that the influence of Confucian influence is stronger in North Korea, where it is more forcibly suppressed, than in South Korea, where it is merely discouraged, while its influence continues in both societies.

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1. “A Korean is more Confucianist than Confucius himself,” Whigham (1904, p. 185). “Korea is the paradigmatic Confucian society in East Asia,” (Park and Shin, 2006, p. 342). [↑](#footnote-ref-1)
2. This is the case even though the command central planning system in North Korea has undergone considerable relaxation with the introduction of markets for agricultural goods and other items (Haggard and Noland, 2010), even as most of its economy remains centrally planned (Noland, 2012). However, other nations have even moved farther towards eliminating central planning, leaving North Korea as still the most intensively centrally command planned socialist economy, and with its ruthless socialist dictatorship, still the most Stalinist in the world. [↑](#footnote-ref-2)
3. One way of considering the economics of civilizations is to consider clusters of characteristics associated together that constitute civilizations, with Pryor (2008) advocating the use of cluster analysis precisely for categorizing nations in civilizational groups, although some nations tend to stand alone with their unique civilizations. Many would argue this for Korea, where a distinct identity has held for thousands of years with much path dependence. [↑](#footnote-ref-3)
4. There are many who simply reject the idea that North Korea can be considered Confucian at all due to the many violations of Confucian ethics the ruthless regime has carried out. As an anonymous referee put it, “No Confucian worthy of his name, Chu His [or Zhu Xi, 12th century founder of Chinese neo-Confucianism adopted by the Choson dynasty after 1400 in Korea as its official ideology] or otherwise, would see any family resemblance of the teachings of Confucius and what is going on in North Korea.” As we shall see, many scholars disagree with this view, but it is held by many and must be taken seriously. [↑](#footnote-ref-4)
5. Needless to say elements of this persist even in standard modern market capitalist economies where many firms are family-owned and run, and words associated with families are often used to describe larger firms, such as the frequent use in Britain particularly of “House” in the names for non-family-owned companies. [↑](#footnote-ref-5)
6. Roman Catholic economic doctrines that stress social solidarity and some skepticism regarding fully free markets can be seen as descending from an old traditional view of the economy inherited from feudal Europe, which Polanyi (1944) also saw as a traditional economic system that would be broken down by the advent of full market capitalism with the industrial revolution beginning in Britain in the 1700s. [↑](#footnote-ref-6)
7. Sinkyo was long officially suppressed in Korea, both by Korean governments and especially by the Japanese during their period of rule as it was associated with Korean nationalism, although it is now tolerated in South Korea, if discouraged, after more suppression during the 1960s through 1980s. Apparently there are also some followers in North Korea as well, barely tolerated. A curious aspect of it is that its leading practitioners are often women shamans, and it often operates in natural areas concealed by Buddhist temples in front, something observed in person by one of this paper’s authors while visiting South Korea*.* Reportedly Sinkyo rituals have been adopted by some Korean Protestant churches, as well as some other newer Korean religions such as Ch’ŏnogyo. [↑](#footnote-ref-7)
8. This version emphasizes five specific relations in society with associated ethical obligations: father to son and affection, ruler to minister and righteousness, husband to wife with attention to separate functions, old to young with proper order, and friend to friend with faithfulness and loyalty. [↑](#footnote-ref-8)
9. “Neither Confucius nor Mencius allowed much place for the middle or mercantile class. They regard merchants as small men because their understanding is focused on what is profitable. Confucius judged them more negatively in this respect. There is not anticipation that the stratum of society made up of small men would produce scholars and gentlemen. Their response to faulty government is never mentioned. Their good conduct does not merit esteem, and their disregard for the Way does not affect the stability, peace, or order of society-at least this is a permissible inference,” (Shils, 1995, p. 59). [↑](#footnote-ref-9)
10. Dawson (1915, p. 10) argues that Confucius strongly emphasized the self-development of the superior man and how this extended to the self-sufficiency of farms and local self-government and finally to universal self-government. In the neo-Confucianism of Chu Hsi (Zhu Xi) this would also include an ethnocentric bias, although there was no outright forbidding of foreign trade by Confucius or his followers, more a preference for local self-sufficiency, not unlike some of the attitudes expressed by Gandhi in India. [↑](#footnote-ref-10)
11. This susceptibility to Christian influence then can be seen to pre-figure the later relative success of Christian missionaries to convert the substantial portion of the population to the faith, although this would be undone and blocked in North Korea. [↑](#footnote-ref-11)
12. The matter of alphabets reflects this (Choi, 2008). The current *Han’gŭl* alphabet was invented shortly after the Choson took power 600 years ago by King Sejong in the dynasty’s first phase of technological innovativeness, designed for its communicative efficiency to replace the established use of the Chinese alphabet. However, the strongly Confucian yangban elite preferred the Chinese alphabet, and despite support from early Choson kings, the Han’gŭl was not officially adopted and retreated to be preserved for centuries by court ladies writing privately. Only in 1945 with the expulsion of the Japanese was support for the use of the Confucian-affiliated Chinese alphabet finally officially overthrown and the Chinese alphabet was replaced by the half-a-millennium old Han’gŭl. [↑](#footnote-ref-12)
13. While this is the most widely held view, many critics exist who see corruption and inequality in the South Korean economy (Clifford, 1994). [↑](#footnote-ref-13)
14. A contrast in this regard is Taiwan, where Chiang Kai-Shek adopted an officially pro-Confucian attitude even before his regime lost the Civil War to the Communists in 1949, when he and the Kuomintang moved to Taiwan. Of course this was consistent with traditional Chinese culture, while both Taiwan and Korea were ruled by Japan during the early 20th century and the ROK and Taiwan have shared similarities of development since the 1950s, firms in Taiwan have tended to be much smaller, although usually family ruled, than in the ROK, and in general less state direction of the economy and a more equal distribution of income, although both societies have moved towards democracy from dictatorship in recent decades (Pae, 1992). The evidence of direct influence of Confucian influence on the Taiwanese economy seems arguably less noticeable than in either of the Koreas. [↑](#footnote-ref-14)
15. One sign of this surface support for womens’ rights in the DPRK is that International Womens’ Day (March 8) is an official holiday in the North but not in the South. Nevertheless, after formally abolishing discrimination against women under its first leader, Kim Il Sung, there is evidence of backsliding towards a more negative attitude towards women being treated equally under his son and successor, Kim Chong Il (Levi, 2012). [↑](#footnote-ref-15)
16. Some have taken to calling the official DPRK doctrine as “KimIlSungism-KimChongIlism,” although there is little in the policies or declarations of the late Kim Chong Il to distinguish his views much from those of his even later father. On the other hand, Kim Chong-Un may be removing the official Marxist-Leninist parts of the doctrine, even as the DPRK continues to look very Marxist-Leninist, despite some introduction of private markets (Haggard and Noland, 2010), although it must be recognized that the initial downplaying of Marxism-Leninism came under Kim Il Sung in 1992 after the fall of the Soviet Union, when juche was officially declared in the Constitution to be the nation’s ideology rather than Marxism-Leninism (Song, 2010). [↑](#footnote-ref-16)
17. We recognize that the strict isolationism of the DPRK and the old Choson Hermit Kingdom probably goes further than what is called for in traditional Confucianism or even its more ethnocentric neo-Confucian version, although China became more inward-looking and unwilling to open to foreigners when this latter doctrine became dominant, and Japan also followed a strongly isolationist policy during the strongly Confucian Edo period. We noted above the tradition of self-reliance and governance enunciated by Confucius, but there was never any clear statements regarding international trade or relations with foreign powers specifically. To a substantial degree this aspect of DPRK policy reflects more the specifically Korean neo-Confucianism of the later Choson dynasty rather than a general doctrine Confucianism in its broadest form. [↑](#footnote-ref-17)
18. One aspect of Sirhak thought rejected by DPRK authorities is that it supported the development of commerce against the anti-mercantile views of the established neo-Confucianism, with the ROK following the Sirhak view on this in contrast with the DPRK. [↑](#footnote-ref-18)