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The failure of the weak state in economic liberalization: liberalization, democratization and the financial crisis in South Korea

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Abstract

The transformation of a state-governed development economy into a liberal one requires the state's strong capacity to manage the adjustment process. In East Asian countries, financial crises erupted in the course of their structural adjustment for economic liberalization. States of the region forfeited the capacity to oversee the market in consequence of liberal reform. The erosion of a state's capacity to govern the market involved the weakening of its capacity to adjust to changing economic milieu and to coordinate conflicts between social components. If the state is to fulfil liberalization successfully, it has to retain a regulatory system to oversee capital impairing the foundation of fair market competition. The South Korean case supports this argument. The reason the liberalization attempt failed under the Kim government is because the state failed to maintain a capacity to oversee capital in the course of

liberalization. Being more subject to social pressures, the state was unable to keep autonomy vis-a-vis capital in policy decision making, as the liberalization process was politicized. In the case of South Korea, the failure of economic liberalization was due to its poor implementation by a weakened state.

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