

Factors of the IMF Crisis

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During the last half of the 20th century Korea accomplished rapid economic development. As one of Asia's newly industrialized countries, Korea became the tenth largest trading country in the world. However, at the end of 1997, as our economy went through an IMF (International Monetary Fund) crisis, the economic foundation collapsed and the dark shadow of unemployment and poverty hung in the air. Of the many factors leading to the crisis, the Korean government, enterprises, and individuals are the major causes.

Firstly, the Korean government is primarily responsible for the IMF crisis. It has run the national administration with politics/business collusion, irregularities, and corruption. Politics/business collusion is an unreasonable structure. The friendly coalition between authority and enterprise has been a natural phenomenon for the past 30 years. Whether a poor person can quickly become rich depends on which business the government permits or how much the government lends to his/her business. Even though a business group is huge, going against the government may find itself disintegrating. The powerful politicians receive political funds and contribute to companies. The companies, which receive special treatment from the government, make efforts to engage in speculative activities and monopolies and oligopolies rather than sound investment and productive efficiency. It is natural for corruption to spread even to the lower levels of the government.

In addition, Koreans' vertical way of thinking about interpersonal relationship compared with Western people's horizontal way is another factor contributing to the crisis. Koreans think that personal connections are important; that is, people prefer others graduated from the same school or originating from the same province, even though favored people have poor professional skills. Loyalty is so significant that official moral obligation is ignored. For example, when somebody starts to work in a company, he or she should make an effort to connect with the powerful people in the company. Moreover, loyalty toward the president or a leader of the political party is a key condition for high position appointments. Therefore, the public economy has become sacrificed because of the misguided politics.

Secondly, the redundant investment of companies led to the hard economic times. This excessive repetition for the expansion of business is related to thoughtless diversification. For instance, while the number of the chain companies of 30 huge groups was 616 in 1994, the number increased to 767 at the end of 1996. In contrast, the interests of the companies went down and 14 of the 30 giant groups ended in red ink in the budgets. Even right before the IMF crisis, 100 new businesses were born. This expansion was possible through the custom because the companies guaranteed the credit of each other. Also, by possessing one or more banks, they could secure their funds from the people. In other words, the trend of verification is based not on their own capital but excessive debt administration. The truth that the administration becomes a detonating fuse for the crisis of foreign exchange is obvious. Also, the opacity of running a business brings up a disbelief in the stock market. The opacity has two problems. One is that in this situation, the company is unreliable from the international banks' point of view. Our

companies can not survive without foreign funds; international societies do not trust business which has no openness in financial administration. The other is the relationship between a company and its workers. Even though the situation of a company is difficult, the labor union does not believe the truth. Thus, the excessive expansion of business and the opacity in business management prevent our economy from thriving.

Lastly, it is wrong for people to blame the IMF crisis solely on the government and the companies. Today's wealth was possible obtained because our seniors were diligent and economical. One of the reasons for the "atomic bomb", namely, the IMF crisis, is that we forgot our sense of propriety and over-consumed without any long range plans. The over-consumption and vanity always start with the high class of our society. For example, the government reported that 10 thousand dollars-GNP (Gross National Product) per capita was reached in 1995. It urged that spending money is a virtue. As a result, the more expensive the cars and clothes are, the more people are interested in purchasing them. Even students who do not make money wear high priced brands and have their own cellular phones. At the same time, many people go crazy with sightseeing abroad, and become front runners of sending their children to study abroad. Wherever Koreans travel, they squander their money for luxuries such as make-up and wines. Moreover, driven by a strong desire for education, parents are willing to separate their families; mothers and children live abroad and fathers work in Korea. Furthermore, sending elementary students abroad shows that our society has a big problem: sumptuous moods. Children are also not afraid of spending money for themselves because they do not realize the seriousness of the Korean economy. This way, the fortune we have built up runs out rapidly.

In conclusion, Korea has three factors for the economic hardship of the late 1990s: rotten politics, improper financial administration in business, and people's over-consumption. In order to establish a true creative society, these three factors need to be removed. To that end, the individual's consciousness as well as that of the governments and enterprises should be reformed. The government has to emphasize to officials the need to have absolute honesty and change the corrupt political structure. Businesses need to expand their sizes carefully and reveal their financial situations. Individuals need to plan how and where to use their money. The callous theory explains that the fragile are victims while the powerful control the world. In order to survive in the whirlpool, we must eliminate the factors of the IMF crisis and improve our competitive ability actively and creatively.