

V&S Digest

The following are abstracts of papers appearing in this issue of 『Vision & Strategy』

A New Purpose for Education

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Many people perceive education chiefly as a means of raising one 's status in society. While this view exists in almost every country, it is especially strong in countries like Korea that have very intense competition and pressure for students to get into university.

This approach to education leads students and their parents to think that " study " consists entirely of cramming for the university entrance exam, success in which will ensure a lifetime of wealth and prestige. Meanwhile, schools and teachers are obligated to fulfill such demand from students and their parents, and put all their effort into test preparation. This leads to competition even among schools for placing the most students in the top universities. To escape from such an " examination hell ", the whole society, including students, parents, and educators, should change its attitude to education.

In the industrial era, because workers needed to have a defined repertoire of knowledge and performed routine functions, the exam-centered education system had some relevance. With the end of the industrial era and the arrival of a knowledge-based society however, the education system also needs to change. A system where success was guaranteed by memorization of textbook knowledge is no longer adequate because people will have to creatively solve problems by finding new knowledge.

Characteristics of Korea 's industrial period included automation, mass production, and mass consumption. Society was standardized and authority was concentrated at the top to form a pyramid-shaped hierarchy. In such a system, people 's thinking was mainly convergent towards a given objective, and dependent on authority.

The introduction of the knowledge-based society is changing the situation. With advances in information technology constantly pushing the envelope of data processing, the new society has endless possibilities. In this age, venture capitalists are becoming wealthier than the industrial tycoons. Rather than the convergent thinking emphasized in the education system, schools in this era need to stimulate and encourage divergent thinking.

For people to thrive and prosper in the era of digitalization and globalization, they need character traits such as responsibility, creativity, reliability, human respect, and community spirit. The basic goal of education should be to foster such traits in young people. In contrast to the current system that rewards zero-sum competitiveness and rote memorization of prepared knowledge, education should try help students become creative and decent members of the global society. 

Mortgage Interest Deductions Could Save the Korean Economy


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Declines in the stock market and in foreign exchange rates are forecasting that Korea may be on the brink of a recession. To avert recession and to send a clear message that government is concerned about the needs of the average working person, government should consider making it easier for Koreans to buy a house or apartment. There is huge pent up demand for decent housing, but Korea 's housing finance and tax systems make it difficult for most families to afford ownership. Although there are other issues to be solved as well, such as availability of land and land use policies, a few changes would solve the financial problems and could add to economic growth next year and in future years and yet actually increase tax revenues to government.

The ratio of outstanding mortgage loans to Gross Domestic Product in Korea is less than one-fourth the ratios of the U.S. and the U.K. and less than one-half of Japan 's ratio. If Korea were to adopt the U.S. system there would be a great housing boom that would raise living standards and ward off the impending recession. In addition, if the government made mortgage interest on new loans deductible for income tax purposes and encouraged banks to advance 80%, construction of residences would increase sharply, adding as much as 5-10 trillion won to Korea's Gross National Product.

Making mortgage interest tax deductible would bring no net cost to government. Usually making tax concessions causes government 's revenues to decline, but in the case of homebuilding, the high incremental direct and indirect labor content plus builder and vendor profits will likely generate enough taxable income to offset in the first year the total taxes lost by making the interest on new mortgages deductible.

In sum, the effect of mortgage interest deductions will have a dramatic effect on the economy. Each one trillion won of incremental mortgages will generate 1.25 trillion won of incremental homebuilding plus at least 250 billion won for the vendors to the homebuilders, a total of 1.5 trillion won. Over time, people who own houses will gradually pay off the mortgages, creating an important unencumbered asset. People who own their own residences also are likely to spend more on furnishing and equipping it, further stimulating the economy and improving their standards of living. 


Venture Business: Still the Hope of Korea

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Even one year ago, Koreans regarded venture business as the savior of the economy. The government gave venture companies exceptional subsidies in an attempt to foster these businesses, while the stock market was in the throes of venture fever. Currently however, the word “venture” has lost its former sheen, and in extreme cases people think ventures are merely a cover for corrupted money games. A couple of recent bribery scandals by self-styled venture entrepreneurs has further tainted the public perception of venture business, to the dismay of the many honest and hardworking entrepreneurs.

If Korea becomes too swayed by the pessimism about venture business, it may fail to keep up with global trends such as the shift to a knowledge and internet-based, high tech economy. It is possible that Korea will lose a rare chance to leap forward in the world economy. Venture business is still in its early stages, and excessive fear may threaten its foundation. Although the capital market is currently illiquid and many venture businesses are going bankrupt, now may be an ideal time for ventures to improve their competitiveness.

Venture business has already become one of the major forces in the world economy. The expansion of the Internet in business has made speed even more important for competitiveness. In this respect, small and flexible venture companies have an advantage in quick decision making over large hierarchical conglomerates. In recent years, a number of Korea’s large conglomerates have collapsed and the economic gap left by these giants may have to be filled by small and medium venture businesses. A successful venture business requires original technology, a stable profit model, and international competitiveness, with technology being especially important. This model has been shown to be the most appropriate business system for the 21st century global economy. Therefore, venture business, with its high value-added, may be the only alternative for Korea’s economy.

The venture form of business seems to suit the characteristics of the Korean people. Some aspects of the venture mentality are quickness, a strong drive to succeed, and diligence, which are qualities that Koreans have in abundance. In addition, the venture model is ideal for Korea, which has few natural resources but a highly-educated population. The country’s information infrastructure has also been expanding at a phenomenal rate. Although Korea’s venture companies have not yet succeeded, they should not give up. 

Will the Asian Century Arrive?


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Starting from the mid 1980 's, the international system underwent rapid and profound changes. In the 1990 's, a new post-cold war order started to form. Communism collapsed in the Soviet Union and its satellite states, while Europe agglomerated into an economic community centered around Germany. With these events, a new world economic order based on the market system was created, and globalization and international competition became more severe than ever before. This paper explores how the world economic order will change in the 21st century as well as the possibility of the "Asian Century" arriving.

Economic development in Asia was based on "Asian values", which included a strong authoritarian government rather than the individualism or neoliberalism of the West. With the Asian financial crisis of 1997, scholars began to question whether such "Confucian capitalism" or "Asian values" were suited for growth in a market economy system, and whether Asia could return to the path of economic growth in the 21st century.

The reason why the Western countries were able to dominate world history in the last 300 years was that they continually reformed their societies and policies as well as developed new ideologies and values, creating conditions in which democracy and the market economy could develop in parallel. Therefore, the West 's economic growth was not simply the result of improved science and technology, but of reform and improvement in the whole society 's culture and ethics. If East Asia 's developing countries only try to catch up technologically without trying to improve their culture and values, economic development in the true sense will be difficult.

In the West, liberal democracy and the market system developed in tandem with a high level of culture as well as strict adherence to the rule of law. However, the "discretionary" approach of the East Asian tradition can also be said to be coherent with the rule of law. The three main principles of conduct stated in the Chinese classic "the Great Learning", show that Asia has an ethical system and intellectual life that is similar in many ways to that of the West. Success of reform in a country depends on the culture and order of its citizens as well as the willingness of the leadership to reform. Therefore, these factors are essential for improving a country 's competitiveness. 

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