ABSTRACT

Changes in State Autonomy and State Capacity after the Financial Crisis: State Intervention and the Public Fund in Korea after 1997

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This study explores the changes in state autonomy and state capacity after the financial crisis in 1997, focused on the public fund. In terms of internal aspects of state autonomy, it traces the restructuring process of coalition structures in 'state-financial capital-industrial capital.' It also examines the state intervention in markets in order to reveal how the state has strengthened its internal autonomy based on changes in its external autonomy related with the international economic organization, such as IMF and IBRD. Then, it divides the state capacity into the internal sector and external one, and tries to trace their changes through the arrangement of authority and the bureaucratic cohesion for the one, and the industrial policies to domestic financial capital and industrial capital for the other.

In result, this study reveals the extended autonomy of the state after the financial crisis in 1997. In the restructuring process started after the IMF Financial crisis, the fact that the state intervenes the market as the primary actor proves the maximization of state autonomy as well as the general consent in the popular sectors on the state intervention. Likewise in the

external aspects, the state is the fundamental body responsible for concluding an entente with the foreign organizations and meeting their needs. In fact, as in the development state, based on the extended state autonomy and enlarged financial resources, the state exerts a strong intervention into the market and, therefore, acquires the controling power over the financial capital and the industrial capital.

However, because of the fallacy in the policy decision and the dull results in the recovery of public fund, now the state intervention including the public fund itself gets only the distrust and resistance from the civil society. There can be several reasons for the failure of the public fund. Above all, it would be most proper to the trace its reason in light of the state capacity. Therefore this study examines the bureaucratic system for the internal aspect of state capacity, and the methods of state intervention into the domestic financial and industrial capital and the industrial policy for the external one. As for the former, it reveals the fragility in the bureaucratic state capacity caused from the failures in the bureaucratic cohesion and the arrangement of authority among the bureaucratic bodies concerned with the public fund. And the latter reveals the absence of discipling function in the state intervention and the strategic business policy: the market complementing intervention ,supporting financial resources but never disciplining the capital, results in the absence of state capacity.

The state autonomy after the financial crisis is similar to the developmental state, in that the state extends its internal autonomy by attaining the controls over the financial resources and therefore, strengthening its dominance over the industrial capital. However, while the developmental state, based on such extended autonomy, performed the direct and strong intervention into the market and governed and disciplined the capital, the state after the crisis, in spite of similar enlarged autonomy, fails in governing and

disciplining the market only to reveal the vacuum in the state capacity. The weakening of the state capacity in the state intervention causes the failure of financial and industrial restructuring process including the public fund policy.

This study suggests the importance of positive and proper intervention of the state. Moreover, it traces the continuity of some characteristics of the developmental state which has been criticized as the main cause of the financial crisis in 1997. Such a historical and social continuity in Korean society recalls the reappreciation on the East-asian developmental state.

KEY WORDS: public fund, financial crisis, state autonomy, state capacity, state intervention, financial support, discipline, the developmental state. market substituting, market complementing,