SPP Working Paper 363, May 2002

Centre for the Study of Public Policy,

University of Strathclyde, Glasgow, United Kingdom

Mass Attitudes Toward Financial Crisis and Economic Reform in Korea

Bernd Hayo
Essen University, Germany and Georgetown University, Washington, DC

and

Doh Chull Shin
University of Missouri, Columbia, Missouri

Bernd Hayo
Dept. of Economics (FB 5)
Essen University
Universitätsstr. 12
45117 Essen
Germany
Tel. +49-(0)201-183-3010
Fax: +49-(0)201-183-3974
Email: bhayo@vwl.uni-essen.de

Doh C. Shin
Dept. of Political Science
University of Missouri
309 Professional Bldg.
Columbia
Missouri 65211-6030
Tel. 573-882-7873
Fax 573-884-5131
Email: ShinD@missouri.edu

Thanks to Robert Blecker, Graciela Kaminsky, Holger Wolf, and participants of research seminars at American University and George Washington University for helpful comments.

Mass Attitudes Toward Financial Crisis and Economic Reform in Korea

Abstract

This paper addresses an aspect of the financial crisis in South Korea that has not been dealt with in depth. The question that will be analyzed is: how does the general population perceive the crisis? In attempting to answer this question we rely on new representative survey data, covering the years 1998 and 1999. Specifically, respondents voice their opinion (a) regarding the causes of the crisis, (b) the potential agencies fostering a recovery, (c) the domestic versus international reform strategies involved, and (d) the government-or market-oriented reform programs involved. Given the importance of public support for economic reforms, some of the results of our research could prove to be of considerable value to Korean policy makers or advising international organizations.

Keywords: South Korea, financial crisis, public opinion, economic reform strategies

JEL: O5, F3

Introduction

One of the major events on the international policy agenda has been the financial and economic crisis in Asia. Many economists and other social scientists have been searching for satisfactory explanations of those crises that can pose a serious threat to the economic and political future of these countries, a number of which are new democracies (Goldstein, 1998; Henderson, 1999; Jomo, 1998; Pempel, 1999). Equally, as well, many scholars and policy makers have been analyzing the dynamics of these crises cross-nationally and cross-regionally to discover and prescribe effective recovery strategies (Goldstein and Sachs, 1998; Haggard, 2000; Summers, 1998; World Bank, 1998). In their causal explanations or strategic diagnoses, these experts have always treated economic crises as a macro-level phenomenon, which takes place at the level of a nation's economic and political systems. Preoccupied with the failings of economic and political institutions, they have rarely considered how economic crises unravel at the level of individual citizens. Thus, these economic and political analyses offer very little, if any, knowledge about how individuals conceive of and deal with economic crises (Duch, 1993; Przeworski, 1996; Stokes, 1996).

Unlike policy experts and academics, ordinary citizens rarely have a clear understanding of the relevant economic theory and policy that is involved (see Hayo and Shin, 2002). As consumers or producers of economic goods and services, nevertheless, they are all directly involved in the dynamics of any given economic crisis on a daily basis. Their perceptions and understanding of the crisis itself and ongoing reactions to it constitute the psychological and behavioral factors that powerfully affect its contours, dynamics, as well as its remedies (McGregor, 1989; Przeworski, 1993). With only objective measures of economic conditions, such as the GDP and unemployment data available, the complex process of the economic crisis cannot be fully understood. A balanced and comprehensive account of the crisis can be mapped only when the objective conditions of the nation's economy are considered together with

subjective assessments of those conditions made by individual economic agents and their self-perceptions of economic life (Stokes, 2001; Strumpel, 1976).

This paper concentrates on the subjective dimension of the Korean economic crisis and thereby seeks to complement a variety of expert accounts based on objective economic measures. In particular, the following questions are being addressed: How do the Korean people perceive and understand the financial crisis that erupted in November 1997 when the IMF had to rescue their country from an imminent financial insolvency? Do they perceive that their country has recovered from the crisis? What or whom do they blame most for the economic problems that have occasioned them a great deal of suffering and humiliation during the past three years? What particular approach do they prefer to reform the malfunctioning economic system? To answer these questions, we have chosen two sets of recent survey data collected in South Korea (hereinafter Korea) during the autumn of 1998 and 1999 as a representative sample of its adult population (see Shin and Rose, 1998, 1999 for a description of the database).

This paper is organized into seven sections. In the section immediately following this introduction, we examine how the financial crisis involving the IMF bailout was seen through the eyes of a representative sample of the Korean population. Section 3 considers causes of the crisis and Section 4 deals with agencies of reform. In the succeeding section, we discuss the Korean people's assessment of internal versus external factors responsible for the financial crisis. Section 6 isolates two domestic reform strategies and analyzes support for those strategies in the context of two regression models. Finally, we summarize our results and conclude.

The Evolution of the Crisis

We start off by describing the perception of the crisis by the Korean population. Table 1 contains responses regarding the economic condition in Korea in 1998 and 1999. While people thought that the situation was either bad or very bad in 1998, the situation has improved considerably in the course of only one year. This reflects the macroeconomic impression that the

crisis was more of a severe temporary break in the positive growth trend than a profound change in Korea's economic potential.

How has the perception of the crisis changed in retrospect? Table 2 addresses this question by providing information about the financial crisis in 1997 from the perspective of the calendar year 1999. It appears to be the case that most respondents still believe that it was a crisis. However, more than 40% considered it as only a serious incident rather than a crisis. In 1999, did people have the impression that the Korean economy was already booming again? This was not really the case. Most people agree that it was not a boom, though again about 40% conceded an increase in prosperity.

To summarize, the view of Koreans on the financial crisis in 1997 has softened over time, and it is regarded as less severe today than shortly after the event. There is agreement, though, that it was a serious incident in Korean economic history, and most people believe that, in spite of the recovery that is taking place, the economy is not booming yet.

Causes of the Crisis

In the next step, we ask about possible *political* causes of the crisis and concentrate on the impact of democratic institutions and the incompetence of politicians. Table 3 displays the responses for both 1998 and 1999.

Interestingly, democratic institutions were not blamed very much for being "solely responsible" for the crisis. On the other hand, the alleged incompetence of politicians is seen as a much more important cause of the crisis. The most significant change over time is that a combination of democratic institutions and incompetent politicians is seen as the main political cause of the crisis by a majority of respondents in 1999. Koreans seem to think that democracy provides a congenial framework for incompetent politicians to mismanage their economy. The first tentative steps towards the deregulation of financial markets took place only after a democratic political system was established. Government officials continued to encourage

Korean banks to continue borrowing money internationally at short-term rates, while lending long-term to domestic investors. This constellation proved to be extremely vulnerable to foreign speculators (Chang, 1999; Chang, Park, and Yoo, 1998; Mo and Moon, 1998).

When expanding the scope of the analysis by including potential economic and political causes of the crisis, whom do Koreans blame more: domestic or foreign factors? The 1998 survey explored these questions by asking respondents to choose from a list of three pairs the two things that they believe "contributed most" to their society's economic problems as well as the two things "contributed least" to them. The first pair focuses on Korea itself and the nature of two domestic institutions: (1) the democratic transformation of military rule and (2) the cozy relationships between the government and the chaebols. The second pair centers on Korea's Asian neighbors including (1) the economic troubles of neighbors such as Thailand, and (2) the recklessness of Japanese banks in providing too many loans to Korean businesses. The third pair deals with two Western factors: (1) the American government pressuring Korea to open up its market and (2) the imposition of conditions by the IMF as part of its bailout.

Of these six factors reported in Table 4, the Korean people mentioned the cozy relationship between government and the chaebols *most frequently* as one of the two factors that *contributed most* to the economic problems facing the country. In fact, it was the only factor chosen by a large majority (78%) of the Korean adult population. In striking contrast, a relatively smaller group made other factors responsible: the American government pressure to open the Korean market (35%); economic troubles of other Asian neighbors (30%); imposition of conditions by the IMF as part of its bailout (22%); the democratization of the military dictatorship (9%); and too many risky loans from Japanese banks to Korean banks and enterprises (8%). Besides corruption in government-business dealings, Koreans are divided over what has brought about the economic problems in their country.

When they were asked to identify the two factors that they believed had *contributed least* to the economic problems, a bare majority (52%) chose the democratic transition from military

rule. It was followed by economic troubles of other neighboring Asian countries (34%); the Japanese Banks' reckless loans to Korean banks and other enterprises (31%); the IMF bailout conditions (26%); the American government pressure to open the market (22%); and cozy relationships between government and the chaebols (5%). What is most notable about these figures is that the Korean people tend to dissociate democratic regime change from the outbreak of the economic crisis while simultaneously refusing to dissociate institutional corruption from it. However, as was shown in Table 3, this assessment changed somewhat in 1999.

In the last column of Table 4, the "most important" and "least important" ratings are combined into an aggregate percentage index by subtracting the latter from the former in order to offer a condensed account of each individual factor. Positive scores of this index indicate that more Koreans rated a given factor as "most important" rather than "least important." Negative scores indicate the opposite pattern in which negative ratings outnumber positive ones. On this index, only two of the six factors registered positive scores and the rest negative ones. Ordinary Koreans tend to be in agreement in considering the following two factors as mainly responsible for their economic hardships: the crony capitalism featuring corrupt government-business relations and the American government's pressure to open the market. This accords quite well with the typical economist's assessment of the situation. The financial strategy of Korean banks, encouraged if not pressured by the Korean government, namely borrowing short- and lending long-term, led to a precarious imbalance of their financial situation. However, this system proved to be surprisingly stable over a long time span. But then the hesitant steps towards opening up of the markets provided the spark that would lead to the dramatic breakdown of the system (Chang, 1999; Chang, Park, and Yoo, 1998; Mo and Moon, 1998).

Of three separate pairs, one domestic and two international, which pair do the Korean people blame most and least? To explore this question, we calculated the percentage of the Korean people choosing factors comprising each pair as one of the two most and two least contributing factors to the economic downturn. Table 5 provides these percentages and their differences for

one domestic and two international pairs. Of these three pairs, the two factors comprising the domestic pair were most frequently named as one of the two most contributing ones. Between the two international pairs, the Western pair was mentioned more frequently than the Asian pair as contributing most to Korea's economic problems.

In Table 5, we see that more than four out of five (82%) Koreans place most of the blame on their own institutions or practices. Those who do the same with the Asian and Western counterparts, on the other hand, account for one out of two Koreans (54%) and two out of five Koreans (37%), respectively. In terms of one of the two factors chosen as least important, the domestic pair also ranks first (54%), followed by the Western pair (44%), and the Asian pair (59%). This result remains robust when the least important ratings are subtracted from the most important ones (see the third column of Table 2).

Do Koreans, on the whole, make themselves more responsible than foreigners, for the economic difficulties their country faces? To explore this question, we collapsed the Asian and Western pairs into an international domain and explored whether they tend to choose factors in this particular domain and/or the two domestic factors as the ones that have contributed most to their economic difficulties. It appears that Koreans attribute their economic misfortunes equally to themselves and foreigners. While a small minority places most of the blame solely on either themselves (11%) or foreigners (13%), a large majority (70%) do so on themselves as well as foreigners.

Agencies of Recovery

Before we come to any assessment of reform measures, we need to consider the capacity of domestic and foreign institutions to promote the recovery of the economy in a crisis situation. Table 6 lists evaluations of democratic institutions, the IMF, and the Kim Dae Jung government based on the1999 Korea Barometer survey.

Among these three alternatives, the IMF gets the best evaluation as an agency fostering recovery from the crisis. More than 70% of the respondents think that the IMF made a positive contribution, although less than 15% think that the IMF had a big influence with respect to the economic recovery. Turning to democratic institutions, 42% believe that they have made a positive contribution, while almost one half (48%) of the population has the impression that basically it had no effect. Finally, the Kim Dae Jung government is credited by 44% of Koreans for being a positive reform agency. However, it is also assigned blame for making things worse by 15% of the respondents, which is the highest percentage among these three alternatives.

In the eyes of the Korean people the IMF made a positive contribution to the recovery from the crisis. Many Koreans feel neutral about the role of democracy with respect to the economic recovery while holding it responsible it for the outbreak of the economic crisis. Recognizing that democracy has not hurt the recovery process, an overwhelming majority of the Korean people refuses to welcome back the previous military rule (see Duch, 1993 and Rose, Mishler, and Haerpfer, 1998 for similar orientations among the publics of East and Central Europe). A substantial proportion, however, feel that the Kim Dae Jung government has not quite made the positive impact it should have.

In the view of the Korean people, how long will the government need to overcome the economic problems? In Table 7, we compare their responses to this question for 1998 and 1999. In the light of the discussion above, the results are somewhat surprising. Although people perceive the significance of the financial crisis as much less in 1999, their evaluation of the time needed to overcome the economic problems has basically stayed constant. A majority of respondents believe that it will take 3-5 years to fully overcome the crisis, and another quarter of the population thinks that it may even take longer, 6-10 years. This assessment makes clear that although the crisis may not be as deep as feared, Koreans do not think that it is possible to return to the pre-crisis economic situation in the near future. The question then is how should the Korean economy be reformed to assist the recovery? This issue is tackled in the next section.

Reform Strategies: Domestic versus International

In general terms, three types of economic recovery strategies are conceivable. The first is the one seeking to fix domestic institutions and their practices only. The second is to concentrate on international organizations and foreign trade. The third strategy involves the mixing of the two strategies. To ascertain popular preferences for an effective strategy, the 1998 survey first asked respondents to examine a total of six measures – three domestic and three international – and choose the two they would consider to be most and least effective in dealing with the economic problems facing the Korean society.

In Table 8, three domestic and three international measures are listed. For each of the six reform measures, the table contains the percentages of individual responses denoting “most effective” and “least effective” reform measures. Of those six measures, a majority (69%) endorsed only the one involving banks and other financial institutions as one of the two most effective measures. Two-fifths (40%) found it equally important for their government to provide subsidies to troubled business. Nearly one-third (32%) emphasized the importance of allowing foreigners to own Korean companies. Smaller minorities opted for either forbidding the laying off of unnecessary workers (19%) or limiting the sale of foreign goods (17%). Only few respondents (5%) were strongly supportive of rejecting the conditions imposed by the IMF in order to repair the economic problems.

From this same table, we see that there is more disagreement than agreement among Koreans in their refusal to endorse the six reform measures surveyed. None of these measures is dismissed as one of the two least effective ones by a majority. Only one of these measures – limiting the sale of foreign goods – is rejected by a large share of the population (47%). In summary, Koreans appear to disagree more in opting against than in opting for the reform measures in order to cure the economy. From the point of view of finding a majority for

economic reforms, this results raises some hopes, as it appears to be easier to rally support for the implementation of specific reforms than to form a coalition to prevent them.

In the last column of Table 8, the overall level of popular endorsement is estimated for each of six reform measures. On the percentage differential index, only three reform measures register positive scores. Those are the ones of restructuring financial institutions, providing governmental subsidies to troubled businesses, and allowing foreigners to own Korean companies. Of these three measures, financial restructuring is endorsed as *an effective reform measure* to the greatest extent (+60%), followed by governmental subsidies to ailing businesses (+20%) and foreign ownership of those businesses (+10%). Of the three other measures that Koreans are more disapproving than approving, refusing to implement the conditions of the IMF bailout ranks first as an *ineffective reform measure* (-34%), followed by boycotting foreign goods (-30%), and forbidding lay-offs (-18%). From this finding, it is evident that ordinary Koreans want their government leaders to address the economic problems primarily by restructuring the financial system, accepting the IMF bailout, and globalizing their marketplace. At the same time, there is support for the use of subsidies to avoid a situation where many firms go out of business. However, there is a tension between the former reform approaches and the latter policy. This aspect is addressed in the next section.

The final question concerns the particular geographic origin of reform strategies Koreans favor most and least in order to lift the country out of economic stagnation, namely domestic, international, or both. A large group (47%) favors a mixed type of strategies by choosing measures of a domestic and international nature. A slightly smaller minority (43%) supports the domestic strategy by choosing domestic measures exclusively, and a tiny group (4%) supports the international strategy. These findings suggest that domestic economic factors weigh much more heavily than international ones when ordinary Koreans are searching for a solution to the on-going economic difficulties.

Domestic Reform Strategies

Taking up the finding that domestic factors appear to be more important from the point of view of the people, what should be the main thrust of such a reform? Based on data from the 1999 survey, Table 9 contains the frequencies of answers to the question of whether the economic system needs to undergo fundamental change.

Clearly, a large majority of Koreans believe that the economic system needs fundamental changes. The direction those changes should take, though, are not quite clear. The 1999 Korean Barometer Survey asked a number of questions about reform measures, which are also given in Table 9. In general, although there is a majority for every one of these reform measures, Koreans agree much less on specific reform measures than on the fundamental need to reform the economic system.

The answers displayed in Table 9 suggest that there are two fundamentally different approaches to reforming the economic system. One relies on the state as the main agency of reform, increasing control over the economy to prevent future crises. The other is based on a market-oriented view about reform, leaving only a limited role for state intervention.

We directed our analysis on those who approve of the idea that the economic system needs fundamental change. Thus we posed the question as to what determines support for either government- or market-based reforms of the economic system, taking the need for a reform as given. Applying a principle component analysis to five of the variables listed in Table 9, two factors can be extracted based on the usual eigenvalue criterion. These factors explain 57% of the variance in the underlying variables (see Table 10).[1]

The first factor can be interpreted as reflecting a market-based economic reform concept. It is characterized by laying-off both private and government sector workers, privatizing state corporations, and reducing the government budget. In contrast, the second factor reflects a

reform based on the strong influence of the government. This second notion of the state-sponsored reform suggests choosing not to privatize state-owned enterprises, and instead instituting more government control over chaebols, banks and state enterprises.

We now choose to describe the determinants of these factors in more detail. Table 11 presents Pearson correlation coefficients between the two factors and the available demographic variables (column 'corr.'). The bivariate analysis reveals that those respondent who favor market-based reforms tend to be male, have a minimum amount of schooling, do not work in agriculture, rather self-employed and not white-collared, married and not widowed, interested in news, and prepared to bear a part of the burden of the reform. Government-based reforms are supported by relatively older people; women; respondents who have no schooling; and those with middle school education; not in the highest income quartile but rather in the lowest; who do not live in towns but rather in Seoul; those who work in the agricultural sector; technical skilled and white-collar workers; Protestants, but not Catholics; those who see religion as playing a very important part in their life; who own a house or apartment, but not with a mortgage; widowed and not single; and those who are prepared to shoulder a part of the burden of reform.

Thus white-collar workers are neither in support of a clear cut state- nor market based reform, although they view the former relatively more negatively. On the other hand, those who are prepared to assume some of the costs of reform support both market-based and government-based reforms, with a somewhat stronger support for market-based ones.

However, since a bivariate analysis makes it impossible to control for the common variation in explanatory variables, we have additionally performed multivariate regression analyses with the variables in the first column as regressors and the two factors, market- and government-based reforms, as dependent variables. The displayed regression coefficients are standardized so that they can be easily compared regarding their relative importance in explaining the respective

---

[1] It turns out that with respect to the break-up of chaebols, the two extracted factors do not help to discriminate

reform approach. The 'general' model contains all variables and indicates that few of the bivariate correlations hold up in a multivariate setting. However, since collinearity may pose a problem with regard to being able to discriminate between the effects of single variables, we have applied a testing-down process to the general model to come up with a simple representation of the underlying relationships. To overcome possible problems of inference due to heteroscedasticity, we have employed White's (1980) robust standard errors. Further, a RESET-test for misspecification is performed for every regression.[2] Regarding market-based reforms, the F-test statistics for excluding variables from the general model is $F(25,270) = 0.73$. The RESET-test does not indicate misspecification and the adjusted coefficient of determination is reasonably large for this type of data.

Concentrating on the simple model, we detect a positive influence of age. Male respondents favor market-based reforms more than females. Interestingly, these gender differences were also found in the context of support for market reforms in Eastern Europe (Hayo, 1999). The occurrence of female reform skepticism in a different cultural context and under different circumstances indicates that the gender difference may have to do more with the higher risk aversion of females compared to males (Basow, 1986; Sorrentino et al., 1992) than with economic reasons.

Those with a high school and college education are much more positive than any other educational group. The educational variables display the highest standardized regression coefficients in this model, which implies that education is a prime determinant for whether respondents support market-based reforms or not. Again, this finding is in line with evidence from Eastern Europe (Hayo, 1999).

---

between differing views.

[2] A RESET-test looks at the significance of fitted values of the dependent variable of, in our case, the order two and three as additional regressors.

People in the upper-middle income quartile are against market-based reforms. This is also true for those whose job category comprises technical and skilled workers, or white-collar workers. Here results deviate from the Eastern European experience, where those respondents with higher income tended to be more in favor of market reforms.

People living in cities are more supportive of market-based reforms than those in any other community size. This is another common finding in the literature on support for market reforms in Eastern Europe.

Finally, respondents who are particularly interested in following news in the media prefer market-based reforms.

Turning towards the explanation of support for government-based reforms, we find that the joint test for the exclusion of variables from the general model is $F(27,270) = 0.86$. Again, the RESET-test does not reject the specifications. The fit of this model is even better than the one used to explain market-based support. In the simple model, age shows a significantly negative, though non-linear effect. The non-linearity in the age variable implies that minimum support for government-based reforms begins at an age of 38, and support becomes positive from 76 onwards. Age is the relatively most important variable explaining support for government-based reforms. Self-employed, sales and service workers, and white-collar workers, as well as Buddhists and Catholics are rather negative about these types of reforms.

The result derived in the bivariate setting, namely that those white-collar workers who are in favor of changing the economic system neither support market- nor government-based reforms, still holds in the multivariate framework.

Summary and Conclusion

Over the past three years, a great deal of research has been conducted in examining the sources, consequences, and cures of the economic crisis in Asia. Most of these research efforts to date have been directed toward domestic and international institutions in charge of economic policymaking. As a result, little is known about how the phenomenon of an economic crisis

unravels at the level of individual citizens who have to deal with it on a daily basis. Much less is known about whether they are willing to support governmental efforts to reform the economic system itself. To fill this void in the existing literature on the Asian economic crisis, this study focused on individual citizens in Korea. Specifically, it first examined how ordinary Koreans perceived and understood the crisis that erupted in November 1997. Then it explored the particular approach they preferred in attempting to reform the malfunctioning economic system.

Analyses of the Korea Barometer surveys conducted in 1998 and 1999 reveal that ordinary citizens differ with economic experts and policy makers in perceiving and understanding economic crises. While those experts and officials are in general agreement over the outbreak of the crisis three years ago, there is no such agreement among ordinary citizens. Obviously ups and downs in the national economy do not affect ordinary citizens equally.

When asked about the political causes of their economic problems, ordinary Koreans increasingly blame democratic institutions. A majority of Koreans seem to concur with the assessment that democratic regime change has provided a congenial framework for incompetent politicians to mismanage the national economy (Mo and Moon, 1998, 1999). Blaming themselves and foreigners equally for their economic hardships, the Korean people also tend to be in agreement with the scholarly assessment that the combination of domestic and foreign factors is responsible for the outbreak of what was once known as the IMF crisis (Chang, 1998; Fisher, 1998; Haggard, 2000; Wade and Veneroso, 1998). In terms of the particular strategies to be employed for economic recovery, Koreans tend to weigh domestic measures much more heavily than international ones.

While a majority of people agree on the need for fundamental economic reforms, there is no consensus about the best reform strategy. Supporters of internal government- and market-based reform strategies, respectively, are divided along demographic lines of gender, age, education, occupation, and type of residential community. In other words, the preference for a particular reform strategy is shaped by the financial interests they pursue in their daily lives as well as by

the cultural identities they have established during their lives. There appear to be some parallels between market reform supporters in Korea and Eastern Europe. In particular, respondents who are male, higher educated, and live in large cities appear to be in favor of a market-oriented reform approach.

Applying these results to economic policy, our analysis provides some guidance about the types of social groups that are likely to support either a government- or a market-oriented reform program. This should be considered as important, the reason being that a strong consensus with respect to the chosen reform package is likely to improve the chances of its success (see, for instance, Williamson, 1994; Rodrik 1996; Hayo, 1999). To choose a successful strategy, therefore, the government must discern the nature of popular support for the particular reform measures it seeks to undertake (Kaufman and Zuckermann, 1998; Stiglitz, 1998). Our results about support groups could then be used by Korean policy makers or advising international organizations to directly address the dissatisfaction expressed by those whose favorite reform course has not been taken, by, for instance, providing compensating measures.

References

Basow, S.A. 1986. *Gender Stereotypes: Traditions and Alternatives*. Monterey: Brooks/Cole.

Chang, Ha-Joon. 1999. "Korea: Misunderstood Crisis," *World Development* 26: 1555-1561.

Chang, Ha-Joon, Hong-Jae Park, and Chul Gyue Yoo. 1998. "Interpreting the Korean Economic Crisis". *Cambridge Journal of Economics* 22: 735-746.

Duch, Raymond. 1993. "Tolerating Economic Reform: Popular Support for Transition to a Free Market in the Former Soviet Union". *American Political Science Review* 87: 590-608.

Duch, Raymond. 1996. "Economic Chaos and the Fragility of Democratic Transition in Former Communist Regimes". *Journal of Politics* 57: 121-58.

Finifter, Ada W. and Ellen Mickiewicz. 1992. "Redefining the Political System of the USSR: Mass Support for Political Change", *American Political Science Review* 86: 857-874.

Fisher, Stanley. 1998. *The Asian Crisis: A view from the IMF*. Washington, D.C.: World Bank.

Goldstein, Morrison. 1998. *The Asian Financial Crisis: Causes, Cures, and Systemic Implication.* Washington D.C.: Institute for International Economics.

Gourevitch, Peter. 1986. *Politics in Hard Times: Comparative Responses to International Economic Crises*. Ithaca: Cornell University Press.

Haggard, Stephen. 2000. *The Political Economy of the Asian Financial Crisis.* Washington, D.C.: Institute for International Economics.

Haggard, Steven and Robert Kaufman. 1989. "The Politics of Stabilization and Structural Adjustment", in Jeffery Sachs and Steven Collins (eds.), *Developing Country Debt and Economic Performance*. Chicago: University of Chicago Press: 319-350.

Haggard, Stephan and Steven B. Webb. 1994. *Voting for reform: Democracy, Political Liberalization, and Economic Adjustment*, Oxford University Press.

Hayo, Bernd. 1999. "Public Support for Market Reforms in Eastern Europe". *Studies in Public Policy* 321, Glasgow: CSSP.

Hayo, Bernd and Doh Shin. 2002. Popular Reaction to the IMF Intervention in the Korean Economic Crisis. *Journal of Policy Reform*, forthcoming.

Henderson, Jeffrey. 1999. "Uneven Crises: Institutional Foundations of East Asian Economic Turmoil". *Economy and Society* 28: 327-68.

Iqbal, Farrukh and Jong-Il You (eds.). forthcoming. *Democracy, Market Economics, and Development*. Washington, D.C.: World Bank.

Jomo, K.S. (ed.). 1998. *Tigers in Trouble: Financial Governance, Liberalization, and Crisis in East Asia.* Hong Kong: Hong Kong University Press.

Kaufman, Robert R. and Leo Zuckermann. 1998. "Attitudes Toward Economic Reform in Mexico: The Role of Political Orientations". *American Political Science Review* 92: 359-375.

McGregor, James. 1989. "Economic Reform and Polish Public Opinion", *Soviet Studies* 41: 215:227.

Mo, Jongryn and Chung-in Moon. 1998. "Democracy and the ROK Economic Crisis", *mimeo*.

Mo, Jongryn and Chung-in Moon. 1999. "Korea After the Crash". *Journal of Democracy* 10: 150-164.

Pempel, T.J. (ed.). 1999. *The Politics of the Asian Financial Crisis*. Ithaca: Cornell University Press.

Przeworski, Adam. 1993. "Economic Reforms, Public Opinion, and Political Institutions: Poland in the Eastern European Perspective", in Luiz Carlos Bresser Pereira, Jose Maria Maravall, and Adam Prezeworski, eds., *Economic Reform in New Democracies: A Social-Democratic Approach.* Cambridge: Cambridge University Press.

Przeworski, Adam. 1996. "Public Support for Economic Reforms in Poland". *Comparative Political Studies* 29: 520-543.

Radelet, Steve and Jeffrey Sachs. 1998. "The East Asian Financial Crisis: Diagnosis, Remedies, Prospects". *Brookings Papers on Economic Activity* 1: 1-90.

Rodrik, Dani. 1996. “Understanding Economic Policy Reform”. *Journal of Economic Literature* 34: 9-41.

Rose, Richard, William Mishler, and Christian Haerpfer. 1998. *Democracy and its Alternatives*. Baltimore: Johns Hopkins University Press.

Shin, Doh C. and Richard Rose. 1998. “Responding to Economic Crisis: The 1998 New Korea Barometer Survey”. *Studies in Public Policy* 311, Glasgow: Center for the Study of Public Policy, University of Strathclyde.

Shin, Doh C. and Richard Rose. 1999. “New Korea Barometer Survey”. *Studies in Public Policy* 327, Glasgow: Center for the Study of Public Policy, University of Strathclyde.

Sorrentino, R.M., E.C. Hewitt, and P.A. Raso-Knott. 1992. “Risk-taking in Games of Chance and Skill,” *Journal of Personality and Social Psychology* 62: 522-533.

Stiglitz, Joseph. 1998. “Responding to Economic Crisis: Policy Alternatives for Equitable Recovery and Development.” Washington, D.C.: World Bank.

Stokes, Susan. 1996. “Economic Reform and Public Opinion in Peru”. *Comparative Political Studies* 29: 544-565.

Stokes, Susan (ed.). 2001. *Support for Economic Reform in New Democracies.* Princeton: Princeton University Press.

Strumpel, Burkhard. 1976. *Economic Means for Human Needs*. Ann Arbor: Survey Research Center, University of Michigan.

Summers, Laurence. 1998. “Opportunities out of Crisis: Lessons from Asia”. *Treasury News* (March 19).

Wade, Robert and Frank Veneroso. 1998. “The Asian Crisis: The High Debt Model versus the Wall Street-Treasury-IMF Complex,” *New Left Review* 228: 3-23.

White, Halbert. 1980. “A Heteroscedasticity-Consistent Covariance Matrix Estimator and a Direct Test for Heteroscedasticity”. *Econometrica* 48: 817-838.

Williamson, John (ed.). 1994. *The Political Economy of Policy Reform*. Washington, D.C.: Institute for International Economics.

Woo, Wing Thye, Jeffrey D. Sachs, and Klaus Schwab (eds.). 2000. *The Asian Financial Crisis: Lessons for a Resilient Asia*. Cambridge, MA.: MIT Press.

World Bank. 1998. *East Asia: The Road to Recovery. Washington, D.C.*: World Bank.

Tables

Tab. 1: How would you rate the overall economic condition of our country today?

	1998	1999
Very bad	60.3%	11.7%
Bad	38.1%	71.7%
Good	1.4%	16.3%
Very good	0.1%	0.6%

Source: 1998 and 1999 Korea Barometer Surveys.

Tab. 2: Crisis and boom?

Looking back, would you say that the economy was really in a crisis?		Do you believe that the Korean economy is really booming?	
Not a crisis	4.3%	Not a boom	58.9%
Very serious, although not a crisis	38.3%	Increase in prosperity, but not a boom	38.8%
Really was a crisis	57.4%	Really is a boom	2.3%

Source: 1999 Korea Barometer Survey.

Tab. 3: Democratic institutions and incompetence of politicians as a cause of crisis

	1998	1999
Failing of democratic institutions	4.3%	0.9%
Incompetence of politicians	64.8%	41.4%
Both democratic institutions and politicians	28.5%	53.1%
Neither democratic institutions and politicians	2.3%	4.6%

Source: 1998 and 1999 Korea Barometer Surveys.

Tab. 4: The factors that contributed most and least to the outbreak of economic crisis

Factors	Most Important (A)	Least Important (B)	Balance (A-B)
Cozy business-government relations	78	5	+75
Democratic regime replacing military rule	10	52	-42
Asian neighbors' economic troubles	30	34	-4
Japanese banks' reckless lending	8	31	-23
American government pressure to open our market	35	22	+13
IMF's imposition of conditions as part of its bailout	22	26	-4
(No answer)	*6*	*11*	*n.a.*

Source: 1998 Korea Barometer Survey.

Tab. 5: Geographic origins of the factors that contributed most and least to the outbreak of economic crisis

	Contributing factors		Balance
Geographic origin	Most important (A)	Least important (B)	(A) – (B)
Korea	82	54	+29
Asia	37	59	-22
West	54	44	+10

Source: 1998 Korea Barometer Survey.

Tab. 6: Agencies of economic recovery

	Lot worse	Somewhat worse	Little effect	Somewhat better	Lot better
How do you think the current system of democratic government has affected the recovery of our economy?	2%	8%	48%	37%	5%
How do you think the IMF has affected the overcoming of the economic crisis?	1%	6%	22%	57%	14%
How do you think economic reforms under Kim Dae Jung government have affected the economic situation?	2%	13%	41%	37%	7%

Source: 1999 Korea Barometer Survey.

Tab. 7: How long will it take the government to solve the economic problems?

	Solved	1-2 years	3-5 years	6-10 years	>10 years	Never	Don't know
1998	-	8%	53%	27%	3%	3%	5%
1999	-	8%	53%	24%	4%	8%	3%

Source: 1998 and 1999 Korea Barometer Surveys.

Tab. 8: The reform measures that are considered most and least effective in dealing with economic problems

Reform Measures	Assessments		Balance
	Most effective (A)	Least effective (B)	(A) – (B)
A. Domestic measures			
Closing debt-ridden financial institutions	69	9	+60
Providing governmental subsidies to troubled businesses	40	20	+20
Forbidding the laying off of unnecessary workers	19	37	-18
B. International Measures			
Limiting the sale of foreign goods in Korea	17	47	-30
Allowing foreign companies to buy Korean companies	32	22	+10
Refusing to implement the conditions of the IMF bailout	5	37	-34
(No answer)	*6*	*9*	*n.a.*

Source: 1998 Korea Barometer Survey.

Tab. 9: Evaluating reform measures

	Strongly disapprove	Somewhat disapprove	Somewhat approve	Strongly approve
Our economic system needs fundamental changes?	0.6%	4.2%	42.4%	52.7%
Break up chaebols	5.8%	23.2%	38.5%	32.4%
Lay off unnecessary workers in the private sector	11.2%	36.3%	39.6%	12.6%
Lay off unnecessary workers in the public sector	5.4%	21.9%	42.4%	30.4%
Privatize state corporations	2.4%	20.2%	44.7%	32.7%
Make the government smaller by reducing its budget	5.4%	23.6%	41.7%	29.3%
More government control over chaebols, banks and state enterprises	8.5%	21.1%	48.2%	22.2%

Source: 1999 Korea Barometer Survey.

Tab. 10: Factor analysis: Free-market versus strong-state supporters (451 cases)

		Factor 1	Factor 2
Eigenvalues		1.7	1.1
Explained variance		34%	23%
	Communalities	Loadings on Market-influence	Loadings on State-influence
Lay off unnecessary workers in the private sector	0.64	**0.68**	0.42
Lay off unnecessary workers in the public sector	0.71	**0.84**	0.007
Privatize state corporations	0.61	**0.51**	**-0.59**
Make the government smaller by reducing its budget	0.27	**0.48**	-0.21
More government control over chaebols, banks and state enterprises	0.58	0.15	**0.75**

Source: 1999 Korea Barometer Survey.

Tab. 11: Correlation and regression coefficients for general and simple model (305 cases)

Dependent variables:	Factor market-based reform			Factor government-based reform		
	Correlat. Coeffi.	General model: Betas	Simple model: Betas	Correlat. Coeffi.	General model: Betas	Simple model: Betas
Age	0.01	1.30	0.19**	0.31**	-0.96	-1.48**
Age squared	n.a.	-1.13		n.a.	1.1 *	1.69**
Male	0.17**	0.15 *	0.13 *	-0.17 *	-0.06	
Education						
No schooling	-0.12 *	Base	Base	0.14**	Base	Base
Primary school	-0.08	-0.01		0.09	-0.03	
Middle school	-0.07	-0.01		0.11 *	-0.01	
High school	0.05	0.23	0.24 *	-0.08	-0.20	
College and more	0.08	0.23	0.29**	-0.08	-0.20	
Income quartiles						
Lowest quartile	-0.04	Base	Base	0.14**	Base	Base
Lower middle	-0.01	-0.08		0.02	-0.08	
Upper middle	-0.01	-0.20 *	-0.13 *	0.03	-0.000	
Highest quartile	0.05	-0.05		-0.16**	-0.03	
Job category						
Agriculture	-0.01	Base	Base	0.28**	Base	Base
Self-employed	0.16**	-0.03		-0.06	-0.16	-0.16**
Sales/services	0.02	-0.07		0.04	-0.15	-0.14 *
Technical/skilled	-0.10	-0.20 *	-0.14**	0.12 *	0.07	
Blue-collar	-0.03	-0.11		-0.01	-0.06	
White-collar	-0.12 *	-0.19	-0.16 *	-0.22**	-0.24 *	-0.25**
Administrative	0.03	-0.04		-0.01	-0.04	
Professional/artist	0.07	0.02		0.07	-0.01	
Unemployed	-0.04	n.a.	n.a.	-0.09	n.a.	n.a.
Size of community						
Village	-0.03	Base	Base	0.04	Base	Base
Town	-0.05	0.04		-0.15**	-0.03	
City	0.04	0.19 *	0.14**	0.02	0.08	
Seoul	0.05	0.03		0.13 *	0.03	

Tab. 11 continued:

Religion						
No religion	0.03	Base	Base	-0.04	Base	Base
Buddhism	-0.03	-0.03		-0.004	-0.17 *	-0.12 *
Protestant	-0.02	-0.05		0.09 *	-0.06	
Catholic	0.01	-0.07		-0.10 *	-0.17**	-0.13 *
Other	0.02	0.00		0.04	-0.01	
Religion in life						
Not important at all	-0.04	Base	Base	-0.01	Base	Base
Not very important	0.01	0.14		-0.05	0.02	
Somewhat important	-0.05	0.06		-0.07	0.08	
Very important	0.07	0.12		0.14**	0.09	
House owner						
Renting	0.03	Base	Base	-0.07	Base	Base
Owns house/apartm.	-0.05	-0.06		0.15**	0.02	
House (mortgage)	0.03	-0.05		-0.10 *	0.04	
Marital status						
Married	0.12 *	Base	Base	-0.04	Base	Base
Widowed	-0.11 *	-0.07		0.24**	0.004	
Divorced/Separated	-0.04	-0.08		0.03	0.03	
Single	-0.06	0.08		-0.10 *	0.08	
News interest	0.19**	0.09	0.13 *	-0.05	0.01	
Prepared for burden	0.17**	0.08		0.14**	0.08	
Adjusted R^2		$\bar{R}^2$ =.09	$\bar{R}^2$ =.13		$\bar{R}^2$ =.17	$\bar{R}^2$ =.18
F-test		F(34,270) = 2.22**	F(9,311) = 7.26**		F(34,270) = 2.8**	F(7,313) = 8.15**
RESET-test		F(3,267) = 1.33	F(3,308) = 1.74		F(3,267) = 0.92	F(3,310) = 1.29

Notes: A constant term is included in all regressions. Correlation coefficients are bivarate Pearson coefficients. Regression coefficients are standardized (beta-values). General model includes all variables, simple model only those surviving a consistent statistical reduction process at a 5% significance level. “Base” indicates the reference category for the dummy variables. * (**) indicates significance at a 5% (1%) level.

Source: 1999 Korea Barometer Survey