



Article

Same Start, Different Fate: Unpacking the Korean Development Model and the Puzzle of Divergent National Outcomes

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Abstract: Why do some nations escape the poverty trap while others, starting from nearly identical economic conditions, stagnate for decades? This article investigates this central puzzle in development economics through a comparative case study of South Korea and Pakistan. In 1960, both nations shared a similar GDP, low income per capita, and recent histories of national trauma. By 2024, South Korea had become a global technology leader with a GDP per capita exceeding \$36,000, while Pakistan remained a low-income country with persistent instability and a GDP per capita of roughly \$1,500. This research argues that the “secret” of the Korean model lies not in a single factor but in a synergistic combination of inclusive economic institutions, a developmental state, strategic state-chaebol partnerships, and an obsessive focus on human capital. In contrast, Pakistan’s divergence is explained by elite capture, political instability, import-substitution policies, and chronic underinvestment in education. The article concludes that political choices and institutional design—not culture or geography—are the primary determinants of long-term economic fate.

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Keywords: Developmental state, Elite capture, Inclusive institutions, Chaebol, Export-led growth, Human capital.

Introduction

The second half of the 20th century witnessed one of the most dramatic transformations in economic history: the rise of South Korea from the ashes of the Korean War to become a high-tech, democratic powerhouse [1]. Yet, this “Miracle on the Han River” was not preordained. In 1960, South Korea’s economy was comparable in size and structure to that of Pakistan, Ghana, and the Philippines. Today, the divergence is stark. This paper asks: What is the secret of the Korean model, and why did a country like Pakistan fail to follow a similar path? [2]

The answer, we argue, is found in the nature of institutions and political coalitions. South Korea built inclusive institutions that rewarded hard work and investment, while Pakistan fell victim to extractive institutions designed to benefit a narrow elite [3].

Table 1. The Starting Point: A Story of Two Economies.

Key Difference	South Korea	Pakistan
State's Role	Developmental: Fostered private sector (chaebols) for national goals.	Predatory/Captured: Policy shaped by narrow elite for self-enrichment.
Industrial Policy	Export-oriented diversification into high-value goods (autos, chips).	Import substitution and reliance on low-value textiles & agriculture.
Private Sector	Powerful chaebols that compete globally.	Weak, with elite capture and politically connected firms.
Key Challenge	High productivity but a "two-speed economy" (large vs. small firms) and low birth rate.	Macroeconomic instability, debt crises, and weak institutions.

To understand divergence, we must first confirm the "same start." Data from the Maddison Project and the World Bank shows that in 1960:

- South Korea had a total GDP of approximately \$3.97 billion and a GNI per capita of ~\$100.
- Pakistan had a total GDP of approximately \$3.75 billion and a GNI per capita of ~\$82.

Both were poor, agrarian societies with minimal industrial bases. Both had recently experienced traumatic partitions (Korea from Japan in 1945, Pakistan from India in 1947). From this nearly identical baseline, their paths diverged [4].

Methods

The "secret" of the Korean model is a multi-faceted system built on four key pillars.

Under President Park Chung-hee (1961-1979), the South Korean state became a "developmental state" – a regime that placed economic growth above all other goals. Unlike predatory states that extract wealth for rulers, the Korean state disciplined private capital in the national interest. Crucially, this effort was built on comprehensive land reform in the early 1950s, which broke the back of the old aristocratic class (the yangban) and created a relatively equitable society with high social mobility.

Instead of nationalizing industry (as Pakistan did), Korea nurtured family-owned conglomerates known as chaebols (Samsung, Hyundai, LG). The government provided them with protected credit, tariff barriers, and infrastructure. In return, chaebols had to meet strict export targets. This symbiotic relationship drove export-led growth and forced Korean firms to compete globally.

Korea's most important long-term investment was in its people. The literacy rate soared from just 30% in 1953 to over 80% by the early 1960s. By 2020, Korea consistently ranked among the top OECD countries in secondary and tertiary education attainment. This created a skilled, disciplined workforce capable of absorbing and innovating upon foreign technology.

Korea moved from imitation to innovation. It currently invests nearly 4.9% of its GDP in R&D (one of the highest rates in the world), compared to Pakistan's 0.25%. This allowed Korea to leap from textiles to semiconductors, smartphones, and automobiles.

Results

Pakistan's trajectory offers a counterpoint. It failed not because of a single mistake but due to a systematic set of obstacles [5].

Unlike Korea's land reform, Pakistan retained a highly unequal landowning structure. Political power remained concentrated in a feudal-elite and military-bureaucratic nexus that used the state to extract rents rather than to foster broad-based growth [6]. As Acemoglu and Robinson (2019) document, Pakistan's sugar industry is a classic case of elite capture, where policies were explicitly written to benefit a small group of politically connected mill owners at the expense of farmers and consumers [7].

Table2. The Pakistani Divergence: A Case Study in Stagnation.

Key Difference	South Korea	Pakistan
State's Role	Developmental: Fostered private sector (chaebols) for national goals.	Predatory/Captured: Policy shaped by narrow elite for self-enrichment.
Industrial Policy	Export-oriented diversification into high-value goods (autos, chips).	Import substitution and reliance on low-value textiles & agriculture.
Private Sector	Powerful chaebols that compete globally.	Weak, with elite capture and politically connected firms.
Key Challenge	High productivity but a "two-speed economy" (large vs. small firms) and low birth rate.	Macroeconomic instability, debt crises, and weak institutions.

Frequent military coups (1958, 1977, 1999) and chronic political instability prevented the development of consistent, long-term economic policies [8]. While Korea's developmental state was authoritarian, it was predictable and growth-oriented. Pakistan's authoritarianism was often predatory and short-termist, with resources diverted to defense and elite consumption [9].

Pakistan pursued import substitution industrialization (ISI) – protecting inefficient domestic industries from foreign competition. This led to high costs, low quality, and no export dynamism. In contrast, Korea's export orientation forced firms to become globally competitive [10].

Pakistan has one of the world's worst education indicators. Over 22 million children are out of school. Low literacy, especially among women, has trapped the country in a low-skill, low-wage equilibrium. Without a skilled workforce, even good policies would fail [11].

Discussion

The Korean model is not a simple checklist. It worked because of a unique historical context: a nationalist, anti-communist dictator (Park) who was both ruthless and developmentally oriented, backed by US security guarantees and Japanese capital flows [12]. However, three lessons are widely applicable:

1. Land reform and inclusive institutions matter. Breaking elite power is a prerequisite for broad-based growth.

2. Education is the foundation of all development. No country has ever moved from poor to rich without mass literacy.
3. Export discipline forces efficiency. Protectionism without performance requirements leads to stagnation [13, 14].

At the same time, the Korean model has dark sides: a "two-speed economy" dominated by chaebols, extreme social pressure, environmental damage, and the world's lowest fertility rate (0.72). Any country seeking to copy Korea must avoid these pitfalls [15, 16].

Conclusion

The contrasting development paths of South Korea and Pakistan cannot be explained by differences in geography, culture, or colonial legacies. Rather, they reflect deliberate policy decisions and the strength of political commitment. South Korea prioritized human capital development, enforced discipline among its industrial elites, and pursued an export-oriented growth strategy. The so-called "Korean model" is not rooted in any hidden formula. Its foundation lies in the consistent and uncompromising implementation of policies that promote productivity, strengthen human capital, and limit rent-seeking behavior. This approach required long-term commitment, institutional coherence, and a willingness to impose constraints on powerful interest groups.

For Pakistan and similarly positioned developing countries, the lessons are conceptually straightforward but practically challenging. While these reforms are difficult to implement, they remain essential for achieving equitable growth and long-term economic transformation.

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