Discussion of
“Bureaucrats and the Korean Export Miracle”
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Motivation and research questions

Study the role of administrative capacity on the implementation and success of industrial policy

Motivating question:

- Does **bureaucratic capacity** matter for **policy implementation**? if so, how?
- *Punchline*
  - Yes, it does and "good" and "experienced" managers are a huge part of it

This paper

- Focus on **industrial policy** targeting exports
- Context: *South Korea* Export Miracle

Assessment and Contributions

Fascinating and thought-provoking paper with lots of potential implications in other contexts

- Novel setting to study
  - The importance of bureaucratic capacity for economic ~~development~~ growth
- To the best of my knowledge, the first looking at industrial policy
- Graciously combine the methods and insights of two recently active literatures
  - Role of managers in the performance and operation of the public sector

    (e.g., Fenizia, 2022; Otero & Muñoz, 2022; Riaño 2022)
  - The study of the impacts of industrial policies

    (e.g., Choi and Levchenko, 2021; Juhász, Lane & Rodrik, 2023; Lane 2024)
- It made me reflect on two sets of comments and potential extensions
  - Why was this policy so succesful?
  - Why do managers matter so much?

1. Why was this policy so successful?

Similar policies have been attempted then and now, why does this one work and not others?

A version aligned with the paper

- No-multitasking and clear objective goal
  - Focus only on exports
  - Perfect incentive compatibility
- State promotes exports in general

$\Rightarrow$ overall economic development

- Is this realistic for almost 40 years?
  - Answer in the paper: Yes
- Offices don't target growing "markets"
- Bureaucrats aren't strategically allocated

An alternative and consistent view

- Multitasking and private interests
  - Actually focused on different sectors
  - Non-necessarily incentive compatible
- State might be captured overtime
  - Bureaucrats target some industries
  - Managers tied to firms
  - Growth led by some sectors
- Offices target growing industries
- The allocation of "good" and "experienced" bureaucrats have different meanings now.

Some supportive evidence about the second view, Exhibit 1

The New York Times

What to Know About the Chaebol Families That Dominate South Korea's Economy

Conglomerates that sprawl across the society trace their roots to the nation's rise into a world power and have been tightly controlled for generations.

Share full article

South Korea Asia / East Asia

Video | How powerful are chaebols, South Korea's family-run business groups?

These empires have earned a reputation for corruption and engaging in unfair business practices

Why you can trust SCMP

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Some supportive evidence about the second, Exhibit 2

Active discussion on Chaebols and South Korea's Export Dependency

Figure 1: Chaebol and Economic Growth

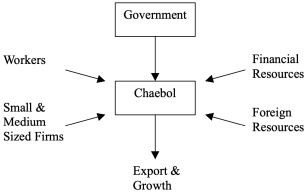

Table 1: Chaebol Influence in the Korean Economy

	Total Volume	Top 5 Groups (%)	Top 30 Groups (%)
Assets (billion won)	910,044	29.22	46.25
Liabilities (billion won)	736,584	29.79	47.94
Revenues (billion won)	875,156	32.29	45.94
Employees (thousands)	21,048	2.70	45.86

Source: The Korea Center for Free Enterprise – An Affiliate of Federation of Korean Industries, 1998.12

Economic Crisis & Chaebol Reform in Korea
Phil-Sang Lee (2000)

- Chaebols, with government support, drove South Korea's rapid growth.
- Chaebols influenced policy by colluding with bureaucrats to protect their interests.
- By the 1990s, they dominated the economy, which ultimately led to the 1997 crisis.
- South Korea's export economy remains reliant on these family-run conglomerates.
- Bureaucratic reforms post 1997 failed due to vested interests and Chaebol family ties. c.f, Riaño (2022)

Some supportive evidence about the second, Exhibit 2

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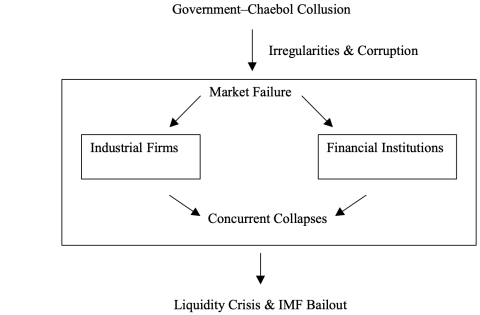
Figure 3 - The IMF Crisis



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Some suggestions to speak to this view

When looking at office openings you run as baseline:

$$Y_{c,p,t} = \lambda_{p,t} + \gamma_{c,p} + \sum_{k \neq -1} \theta_k D^k_{c,t} + \epsilon_{c,p,t}$$

Why not instead:

$$Y_{c,p,t} = \lambda_{p,t} + \gamma_{c,p} + \sum_{i \in S} \sum_{k \neq -1} \theta_k^{s(p)} \left(D^k_{c,t} \times 1(s(p) = i) \right) + X^T_{c,p,t} + \epsilon_{c,p,t}$$

1. Crucial time-varying controls [Appendix suggest this is crucial, -3, -4 lags?]
2. Differential effects by sector [Parallel trends might not hold now, but...]
3. What you call placebos are now more interesting [Compositional effects]
4. Herfindahl–Hirschman index as outcome?

2. Why are managers important?

On estimating bureaucrats' fixed effects and manager types

- The paper uses an AKM approach:

$$Y_{c,p,t} = \lambda_{p,t} + \gamma_c + \beta_{b(c,t)} + \epsilon_{c,p,t}$$

- Unclear why not account for $\gamma_{c,p}$ or $\lambda_t + \gamma_{c,p}$ instead.
- As before, authors could run placebo tests using non-Korean exports for the **AKM**. If bureaucrats drive exports, their FE shouldn't explain non-Korean exports.
- Is it individual-specific or **match-specific** quality that matters?
  - Sector$\times$bureaucrat FE could be estimated
  - Test allocation across sectors is non-strategic (strong evidence of sorting?)
  - Do "good" bureaucrats have their incentives (**ties**) aligned with exporting industries?
  - Repeat event-studies around bureaucrat entry with these new measures of quality

Match and sector specific experience? strong evidence for $N = 1$

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Bogota Trade Office	MEDICAL EQUIPMENT, PHARMACEUTICAL, SKIN CARE AND COSMETIC PRODUCTS	57-1-637-5099(107)
Bogota Trade Office	Jisahwa [textiles, chemicals, finishing materials]	57-1-637-5099(105)
Bogota Trade Office	Research [Business Partner Connection Support, Market Research by Item]	57-601-637-5099(116)
Bogota Trade Office	Marketing [arrangement of consultations, discovery of potential buyers, etc.]	57-1-637-5099(106)
Bogota Trade Office	Governorate	57 (1) 637 5099 ext.112
Bogota Trade Office	Project, Mission	5716375099 (ext 101)
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Match and sector specific experience? strong evidence for $N = 1$

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서울시립대학교

Match and sector specific experience? strong evidence for $N = 1$

Experience

Director
KOTRA(Korea Trade Investment Promotion Agency) · Full-time
Jan 2009 - Present · 15 yrs 9 mos
대한민국 서울

KOTRA is Korea Export and Investmemt government agency and has more than 170 overseas offices in the world. I was transferred to work in the overseas offices so I was in Brazil for 4 years and Mexico for 3 years. During my stay in the overseas offices, I have dedicated project development such as waste management and smart city and those projects make me feel interested about PPP projects. That is why I started to study Smart city and PPP in the university of Seoul. I worked as Team Leader of the ICT convergence team in HQ of Korea. I contributed myself to make Korean smart city and smart farm to go out to the overseas countries. I would like to share my vision about PPP and smart city with other people.
After completing my role as Team Leader of ICT Convergence Team in Korea, I was asked to work in Colombia. I arrived here in Bogota at the end of January, 2022. I am doing my job as General Director of KOTRA Bogota. If you are interesed in doing business with Korean companies, please feel free to contact me.

Manager
Korea IT International Promotion Agency
May 2005 - Dec 2008 · 3 yrs 8 mos

As a manager of International Relations,I promoted Korean cutting-edge technologies such as WiBro(Mobile WiMax) and DMB(Digital Multimedia Broadcasting) to other countries. Also I made a marketing planing for Korean ICT companies who had the promising technology.

Manager
DM Technology
Aug 2003 - Mar 2005 · 1 yr 8 mos

I was responsible for the LCD TV sales in the european countries.Our company had the branch office in Netherlands.I had stayed some months there and then I did a lot of deals with our clients in Europe.

Conclusion

- Fascinating and thought-provoking paper with lots of policy implications
- A novel empirical contribution to our understanding of how bureaucratic capacity influences industrial policy
- Potential to extend the analysis to contexts beyond South Korea
- Consistent with an alternative view:
  - "good" and "experienced" bureaucrats is open to interpretation given the AKM
  - Implications for structural change?
  - Equitable and sustainable development?

Thanks!