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Political Economization vs Economic Politicization: A Comparative Study of Park Chung Hee's and Soeharto's Leadership in Promoting Economic Development

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Abstract

This study aims to examine the differences in political-economic strategies between Park Chung Hee in South Korea and Soeharto in Indonesia, with a particular focus on how authoritarian leadership and discriminatory economic policies influenced the direction and outcomes of national development. It explores how Park's approach, centered on economic discrimination, meritocratic industrial policies, and corporate-led growth fundamentally differed from Soeharto's strategy, which relied heavily on political patronage and the politicization of economic policy. This research adopts a qualitative descriptive approach using library research methods, by reviewing relevant academic journals and scholarly publications. The analysis is conducted by interpreting key themes in each leader's development policies, particularly concerning the role of the state in creating economic incentives and shaping institutional structures that either promoted or hindered economic growth. Economic development remains one of the most critical challenges in postcolonial developing countries. This study compares two authoritarian regimes Park Chung Hee's South Korea and Soeharto's Indonesia. Both of which adopted state-led development models in the postcolonial era. Although both leaders shared similar institutional frameworks, military backgrounds, and centralized governance, their economic outcomes diverged significantly. Park's leadership exemplified the "economization of politics," where state power was used to enforce meritocracy, promote industrial performance, and discipline markets. South Korea achieved robust export-led industrialization and institutionalized economic meritocracy through support for chaebols and long-term planning. In contrast, Soeharto's regime reflected "economic politicization," wherein state resources were distributed based on political loyalty rather than performance. This led to structural fragility, inequality, and eventual collapse during the 1997 Asian Financial Crisis. Using a qualitative descriptive approach based on literature review, the study finds that authoritarian development success depends less on the degree of state control and more on the quality of governance, institutional discipline, and commitment to performance-based policies.

Keywords: Economic Development, Authoritarianism, Political Economy, Meritocracy, Economic Discrimination, Soeharto, Park Chung Hee

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I. Introduction

Economic development remains one of the most pressing challenges faced by postcolonial developing countries. In their efforts to catch up with the industrialized West, many national leaders adopted development models that emphasized political stability, state intervention, and accelerated economic growth under authoritarian regimes. One prominent approach in this context is state-led development, which is often associated with authoritarian rule. Countries such as South Korea, Taiwan, and Singapore have demonstrated that an authoritarian model can yield significant economic progress within a relatively short time span. On the other hand, countries like Indonesia under Soeharto, despite adopting a similar style of governance, experienced stagnation and long-term economic crisis.

Both South Korea and Indonesia endured lengthy periods of colonization and emerged into the postcolonial era facing deep-rooted issues such as poverty, underdevelopment, and political instability. Each transitioned into military or semi-military governments and subsequently established bureaucratic authoritarian regimes. Yet, the economic outcomes under their respective leaderships diverged dramatically. Park Chung Hee, who rose to power in South Korea following a military coup in 1961, successfully led a massive wave of industrialization, transforming the country into a modern industrial economy in less than three decades (Darini, 2010:22). In contrast, Soeharto, who took power in 1966 and also pursued national development policies, failed to sustain economic transformation especially after the Asian Financial Crisis in 1997.

This striking contrast gives rise to a central question: Why was Park Chung Hee able to engineer South Korea's economic miracle, while Soeharto's Indonesia descended into stagnation following the financial crisis? Structurally, the two leaders shared several similarities, such as military control, tight supervision of civil society, and significant state involvement in economic planning. Both also came from humble farming backgrounds and led during transitional postcolonial periods (Won & Djafar, 2016:1880). Yet Park succeeded in orchestrating an industrial and export policy framework grounded in a merit-based incentive system, while Soeharto was increasingly entangled in patronage networks, corruption, and collusion factors that undermined the state's effectiveness as a developmental agent (Won & Djafar, 2016:1881).

While previous studies have compared Park and Soeharto's leadership styles and economic outcomes, few have explicitly conceptualized their approaches within the framework of *political economization* versus *economic politicization*. Most literature tends to focus either on historical narratives or institutional outcomes without offering a conceptual juxtaposition that emphasizes how political logic interacts with economic policy design (Evans, 1995; Leftwich, 2000). This study seeks to fill that gap by framing both leaders' strategies within a typology that explains how authoritarian regimes can either discipline or distort markets, ultimately shaping developmental trajectories (Doner, Ritchie, & Slater, 2005).

Park's success cannot be separated from his willingness to experiment with institutions and policies that deviated from conventional economic orthodoxy. A cornerstone of his political-economic leadership was the concept of economic discrimination, a strategy in which the state provided support to high-performing economic actors while penalizing those with poor performance (Jwa, 2023:6). Park adopted a meritocratic approach to resource allocation, offering fiscal incentives, credit access, and industrial protection to productive sectors. He also built close strategic ties with large conglomerates (chaebols), which became engines of heavy industry and export-led growth (Darini, 2010:26).

In contrast, Soeharto fostered patron–client relationships that weakened the state's capacity to implement merit-based policies. His economic policies under the New Order regime tended to be pragmatic, fragmented, and short-term in focus. The reliance on politically affiliated business elites hindered healthy competition, exacerbated inequality, and rendered the economy vulnerable to external shocks (Won & Djafar, 2016:1881). Although Indonesia initially experienced impressive economic growth, the absence of strong institutional foundations meant that such growth was not sustainable in the long term.

It is within this context that the present study becomes relevant. Its objective is to analyze how political leadership influences the direction and outcomes of economic development. This study not only compares two authoritarian figures, but also seeks to understand the broader role of the state in development from a political economy perspective—particularly how the state can either facilitate or obstruct long-term economic progress.

This study follows the conceptual framework shown in Figure 1.

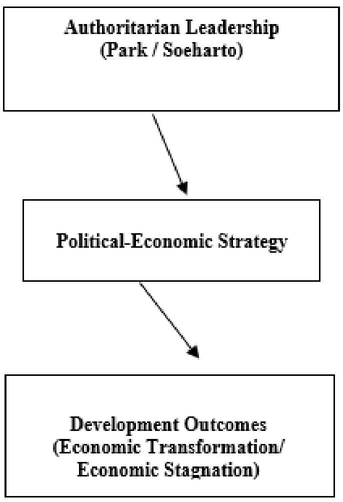


Figure 1: Conceptual Framework

Source: Developed by the Researcher

II. Literature Review

To address the central research question, it is essential to critically and comprehensively examine the supporting literature. Several key sources serve as foundational references in this study, offering complementary perspectives on how two authoritarian leaders in Asia Park Chung Hee in South Korea and Soeharto in Indonesia shaped their respective approaches to national economic development.

Poppy Sulistyaning Winanti's thesis, A Comparative Political Economy of Development of Korea and Indonesia: Historical-Structuralists Explanation, provides a rich comparative analysis of how historical context, socio-political structures, and leadership commitment influenced the trajectory of economic development. Winanti emphasizes that South Korea's success cannot be separated from Park Chung Hee's strong political will to prioritize economic development as a national agenda. Park not only formulated development plans through the Economic Planning Board (EPB) but also ensured their systematic implementation free from systemic corruption. Under his leadership, South Korea succeeded in establishing a professional and meritocratic bureaucracy, something Indonesia notably lacked under Soeharto, whose administration witnessed the decay of bureaucratic integrity due to rent-seeking and nepotistic practices (Winanti, 2002:30).

In contrast, although Soeharto established a national planning agency (Bappenas) and implemented five-year development plans (Repelita), his regime failed to enforce these policies through a merit-based system. His political commitment to development was largely rhetorical and frequently compromised by the need to maintain political stability and accommodate elite military and business interests. As a result, while Indonesia did experience economic growth, it was unsustainable and eventually collapsed during the Asian Financial Crisis. This reflects that Soeharto's authoritarianism was characterized by economic politicization, the use of economic policy to consolidate political power and reward loyal elites rather than for long-term economic efficiency.

Sung-Hee Jwa's work, Political Economization of Park Chung Hee: What Made the Korean Economic Miracle Possible?, offers a critical conceptual foundation for this study. Jwa introduces the notion of economic discrimination as the central pillar of Korea's development success under Park. This principle involved rewarding high-performing economic actors while penalizing those who failed to deliver. This system of state-facilitated meritocracy operated through industrial policy, selective financing, and strategic protection. Rather than distributing resources equally, Park supported business groups capable of leading Korea's rapid industrialization, particularly the chaebols (Jwa, 2023:6).

This discriminatory approach stood in stark contrast to egalitarian or populist models often found in other developing countries. Park firmly believed that performance-blind egalitarianism would only result in stagnation. Through his Heavy and Chemical Industry (HCI) policy, the Korean government prioritized key sectors such as steel, chemicals, and automotive sectors that would later form the backbone of the national economy. The state did not merely act as a regulator, but also as a facilitator, and at times a direct driver of corporate activity. Jwa terms this phenomenon political economization, a condition in which economic logic governs political decision-making and state policy.

Soeharto, in contrast, pursued what can be described as economic politicization. In his case, the economy was leveraged to sustain political dominance, often through the provision of concessions to politically loyal business groups. Instead of supporting competitive enterprises, the New Order regime reinforced favored conglomerates regardless of their performance, so long as they upheld the regime's political stability. This undermined industrial efficiency and innovation, resulting in growth that was neither inclusive nor resilient.

Ririn Darini's article, *Park Chung Hee dan Keajaiban Ekonomi Korea Selatan* (Park Chung Hee and the Economic Miracle of South Korea), provides a concrete assessment of the institutions and policies established under Park. One of the most significant was the Economic Planning Board (EPB), a central agency that coordinated all aspects of development, from investment allocation to industrial technology and export planning. The EPB was granted extensive authority over the financial, trade, and industrial sectors. Its pivotal role in directing development demonstrates the importance of institutional control and technocratic coordination in Korea's industrialization process.

Park's regime is characterized as a bureaucratic authoritarian system supported by the military, technocrats, and the business sector. This regime placed economic growth at the center of national policy and minimized political interference in economic decision-making. In contrast, Soeharto's regime formed patron–client alliances with business and military elites, reinforcing patterns of collusion and monopoly. Darini's analysis emphasizes that Park used authoritarian power to enhance economic effectiveness, whereas Soeharto used it to preserve political control through economic channels.

These insights are further supported by Djafar and Won Jae Song, who argue that Soeharto's economic policy primarily served to concentrate political power by co-opting economic elites. Unlike Park, who mobilized state power to promote industry and technological advancement, Soeharto directed economic resources to politically loyal actors without regard for economic efficiency. This resulted in social inequality, entrenched corruption, and an economy deeply dependent on rents and political connections.

Taken together, these three key works reinforce the argument that Park Chung Hee's approach was defined by political economization—the use of political authority to discipline markets and promote economic growth through structured meritocracy and targeted economic discrimination. Soeharto, on the other hand, exemplified economic politicization, using the economy as a tool to sustain authoritarian control through patronage and elite concessions.

This fundamental divergence explains why South Korea successfully emerged as a modern industrial state within a few decades, while Indonesia, despite its abundant resources, failed to establish a solid economic foundation. This observation aligns with the findings of Evans (1995), who emphasized the importance of "embedded autonomy"—a condition where the state is sufficiently autonomous from societal pressures but deeply embedded in dense networks with productive sectors. Park's regime exemplified this model through technocratic planning and strategic alliances with chaebols. In contrast, Soeharto's regime lacked such embeddedness and autonomy, leading to institutional capture by oligarchic interests (Doner et al., 2005; Acemoglu & Robinson, 2012).

Although existing literature provides valuable empirical insights, a clear theoretical comparison that situates both regimes within contrasting paradigms—namely political economization and economic politicization—remains underexplored. This research contributes to that gap by offering a structured framework to understand how different political logics within similar authoritarian settings can produce divergent developmental results (Leftwich, 2000).

III. Method, Data, and Analysis

This section conventionally encompasses the subsequent sub-divisions:

1. **Sampling:** The target of this study consists of countries governed by authoritarian regimes during the postcolonial development era. The sample was selected purposely—namely, South Korea under Park Chung Hee and Indonesia under Soeharto. These cases were chosen due to the similarity in regime structure, yet strikingly different outcomes in their respective economic development trajectories.
2. **Data Collection:** Data were obtained from relevant secondary sources, including peer-reviewed journal articles, previous academic research, and historical documents on economic policy.
3. **Measurement:** Given the qualitative nature of this research, there is no use of statistical instruments or quantitative measurement. Instead, the analysis focuses on a set of conceptual themes, such as economic discrimination, meritocracy and performance-based policy, the role of *chaebols* and state incentives, and the contrast between political economization and economic politicization.

The research methodology should be characterized by the following elements:

- **Concise Methodological Explanation:** This study employs a qualitative descriptive approach using library research as the primary method. The aim is to describe and compare the political-economic approaches of Park Chung Hee and Soeharto by analyzing academic sources in depth, without relying on statistical data or quantitative hypothesis testing.

- **Rationale for Method Selection**

  A qualitative approach is chosen for the following reasons:

- The research seeks to explain a complex phenomenon (authoritarian economic development) within its contextual and historical dimensions.
- Qualitative methods allow for the exploration of meaning behind discriminatory economic policies, the role of *chaebols*, and meritocratic practices in South Korea, while contrasting them with patterns of patronage in Indonesia.
- A literature-based method is appropriate, as the analysis centers on historical figures and policies rather than contemporary empirical subjects.

- **Precision in Research and Sample Design:** The unit of analysis is two national leaders—Park Chung Hee of South Korea and Soeharto of Indonesia—who played a direct role in shaping their respective countries' economic policies. In the context of a literature-based study, the "sample" refers to academic documents that are thematically relevant. There are no individual respondents, as the data are derived exclusively from written sources.

- **Thorough Data Collection Procedures:** Data collection was conducted systematically through several stages identification of relevant themes and keywords, search of sources from academic journal repositories and digital libraries, selection of documents based on academic quality and thematic relevance, Organization of the materials into key analytical themes.

- **Relevance of Data Analysis**

  The data analysis employs content analysis and thematic analysis. This method is appropriate because:

  - It allows the researcher to uncover the ideological constructions and policy strategies of each leader.
  - It facilitates the interpretation of narratives and policy logic from textual and historical documents.
  - It aligns with the study's objective of conceptual comparison rather than statistical causation.

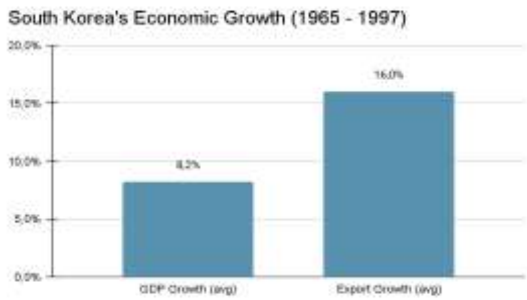
IV. Result and Discussion

This study has examined the contrasting paths of economic development under two authoritarian regimes: Park Chung Hee's South Korea and Soeharto's Indonesia. Both of which embraced state-led development models during the postcolonial period. Despite similarities in political structure, historical background, and institutional design, the economic outcomes achieved were significantly different.

4.1 Economic Growth and Structural Transformation

Park Chung Hee's leadership demonstrated the importance of "economization of politics", where political authority was utilized to enforce economic rationality. His government institutionalized economic discrimination, supporting high-performing actors through fiscal incentives, strategic credit, and export promotion, while penalizing inefficiency (Jwa, 2023). Through meritocratic industrial policy and cooperation with chaebols, South Korea succeeded in establishing a robust industrial base and achieving export-driven growth (Darini, 2010). South Korea Experienced remarkable economic expansion, with GDP growing at 8.2% and exports at 16% per year.

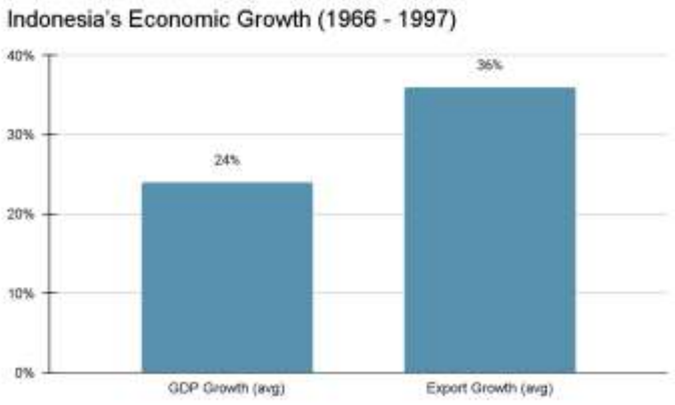
Figure 2. South Korea's Average Annual Economic Growth (1965 - 1977)



Notes: Export-led growth strategy
Source: Jwa (2023)

In contrast, Soeharto's regime exemplified economic politicization, where policies were subordinated to the goal of regime stability and elite consolidation (Won & Djafar, 2016). Institutions like Bappenas and Repelita were undermined by patron–client networks, rent-seeking, and corruption (Winanti, 2002). Although Indonesia posted 7% average annual growth, its economy remained dependent on extractive resources and lacked structural resilience (Wie, 2007).

Figure 3. Indonesia's Economic Growth (1966 - 1997)



Notes: Export growth was moderate compared to GDP

Source: Won & Djafar (2016) `

2. Comparison of Economic Strategies

Table 1. Comparative Overview of Economic Development Strategies: Park Chung Hee vs. Soeharto

Aspect	**Park Chung Hee (South Korea)**	**Soeharto (Indonesia)**
Economic Model	Economic Discrimination *(Merit-Based)*	Economic Politicization *(Patronage-Based)*
Bureaucratic Structure	Technocratic and centralized	Fragmented and clientelistic
Business Alliances	Chaebols selected based on export performance	Conglomerates favored through political loyalty
Policy Orientation	Export-oriented industrialization	Resource-driven and consumption-focused growth
Institutional Efficiency	High capacity, performance-based governance	Weak capacity, rent-seeking and corruption-prone

Notes:"Discrimination" refers to performance-based policy; "politicization" reflects loyalty-based resource allocation.

Source: Jwa (2023); Winanti (2002); Won & Djafar (2016); Darini (2010); and Wie (2007)

3. Poverty and Inequality

Although both countries reduced poverty, Indonesia's decline from 38.8% (1976) to 9.7% (1996) was not accompanied by equitable growth. Gini ratio worsened from 0.32 (1987) to 0.37 (1996), reflecting the failure of inclusive development (BPS, 1999). This contrasts with South Korea's Saemaul Undong program, which channeled industrial growth into rural empowerment (Darini, 2010).

At the outset of Park Chung Hee's administration, South Korea was among the poorest countries in the world. In the early 1960s, more than half of its population lived in absolute poverty, and GDP per capita was below USD 100. There was also a stark disparity between rural and urban areas, with the majority of the population engaged in low-productivity agriculture. However, during Park's leadership, poverty levels decreased significantly as Korea underwent a structural transformation from an agrarian to an industrial economy. This transformation was driven by a state-led export-oriented industrialization strategy, supported by conglomerates (*chaebols*) such as Hyundai and Samsung (Darini, 2010:23).

Park implemented a policy of economic discrimination, which meant that fiscal incentives, access to credit, and market protection were granted only to firms that demonstrated high performance and export capability. This strategy resulted in rapid and targeted economic growth, generating a trickle-down effect that contributed to poverty reduction over two decades (Jwa, 2023:30). Although inequality initially increased due to the concentration of support in large industrial sectors, the subsequent expansion of employment and rising wages helped narrow the income gap over time (Jwa, 2023:35).

In contrast, Indonesia under Soeharto also began with high poverty levels—approximately 60% of the population lived below the poverty line in the early 1970s. The New Order government succeeded in reducing this figure to around 11% by the early 1990s, primarily through agricultural intensification programs such as the Green Revolution, subsidies for rice and fertilizers, and the Presidential Instruction (Inpres) rural development schemes. However, this poverty reduction was not accompanied by equitable income distribution.

A major issue during Soeharto's regime was the concentration of wealth among a narrow elite connected to the ruling family and military-backed business groups. Instead of rewarding economic performance, state resources were allocated through patronage networks that benefited politically loyal conglomerates. This practice widened economic disparities and undermined fair competition and innovation (Winanti, 2002:27). Park, despite his authoritarianism, adopted policies to address regional imbalance and labor mobilization. Through targeted industrial development outside Seoul and the expansion of vocational training and education, the government facilitated urbanization and the creation of a new middle class. These measures contributed to downward income inequality and upward social mobility.

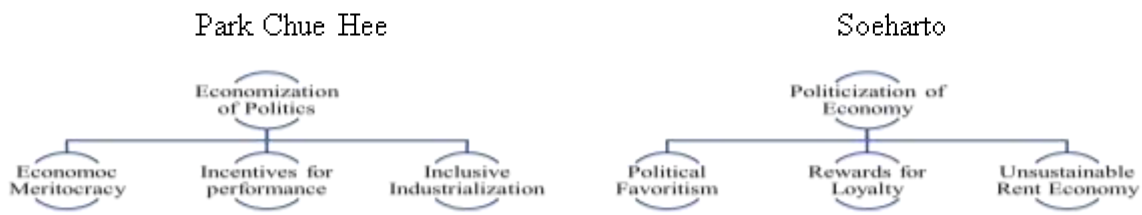
Conversely, Soeharto's development model exacerbated inequalities between Java and the outer islands, and between urban and rural populations. Many infrastructure and development projects were concentrated in Java and major cities, while eastern Indonesia and structurally impoverished regions were neglected. When the Asian Financial Crisis struck in 1997, it was the most vulnerable—small farmers, informal workers, and micro-businesses—who suffered the most. This revealed the fragile nature of Indonesia's poverty reduction efforts, which lacked long-term structural support (Won & Djafar, 2016:1881).

Thus, while both Korea and Indonesia experienced a decline in poverty rates under authoritarian leadership, the quality and sustainability of that reduction diverged significantly. Korea pursued a growth model that was performance-based and institutionally grounded, leading to the creation of a robust and productive middle class. In contrast, Indonesia adopted a growth model that was heavily politicized, captured by elite interests, and ultimately fragile in the face of external shocks.

4. Crisis and Institutional Fragility

Park's leadership prepared Korea to withstand global shocks through long-term planning (Jwa, 2023). Soeharto, in contrast, was unprepared for the 1997 Asian Crisis. In 1998, Indonesia faced a deep economic crisis: the rupiah lost around 80% of its value, inflation exceeded 60%, and GDP contracted by −13.1% (Won & Djafar, 2016).

Conceptual Comparison: Two Authoritarian Paths



Theoretical and Policy Implications

These findings reinforce that authoritarianism alone does not ensure developmental success. Institutional design, leadership quality, and performance-based governance are the true drivers. Park isolated economic decision-making from political interference. Soeharto allowed economic instruments to serve regime maintenance (Wie, 2007). Never fail to reward a merit or let a fault go unpunished." – *Park Chung Hee* (Jwa, 2023) "Reward power, not performance." – *Reflected in New Order patronage* (Won & Djafar, 2016)

V. Conclusion and Implications

This study has explored the contrasting economic trajectories of two postcolonial authoritarian regimes: Park Chung Hee's South Korea and Soeharto's Indonesia. While both leaders operated within centralized, military-dominated governance structures and adopted state-led development models, the results of their economic policies diverged sharply. Park's success stemmed from his ability to discipline markets through meritocratic planning, industrial policy, and institutional innovation. By prioritizing performance, incentivizing efficiency, and establishing strategic alliances with chaebols, Park transformed South Korea into a globally competitive industrial economy.

In contrast, Soeharto's economic governance was shaped by political patronage, rent-seeking, and short-term pragmatism. Although Indonesia initially experienced strong growth and poverty reduction, the absence of institutional checks and the dominance of political favoritism led to structural vulnerabilities. These weaknesses were exposed during the 1997 Asian Financial Crisis, when Indonesia suffered a severe economic contraction and political breakdown.

From a theoretical perspective, this research confirms that authoritarianism is not a sufficient condition for developmental success. Rather, the effectiveness of authoritarian regimes depends on their institutional integrity, leadership vision, and the alignment of political authority with economic rationality. Park's model of economization of politics offers lessons in state-led discipline and long-term planning, while Soeharto's politicization of economy illustrates the risks of subordinating economic policy to regime survival.

From a theoretical perspective, this research confirms that authoritarianism is not a sufficient condition for developmental success. Rather, the effectiveness of authoritarian regimes depends on their institutional integrity, leadership vision, and the alignment of political authority with economic rationality (Evans, 1995; Leftwich, 2000). Park's model of economization of politics offers lessons in state-led discipline and long-term planning, while Soeharto's politicization of economy illustrates the risks of subordinating economic policy to regime survival (Acemoglu & Robinson, 2012).

The findings of this study have broader implications for contemporary developing nations, especially those governed under centralized or hybrid regimes. State-led development can succeed when it is grounded in meritocratic logic, institutional accountability, and a clear national agenda. However, in the absence of those factors, centralized control may lead to inefficiency, inequality, and collapse.

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