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## The odd couple

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**Koreans want their international standing to match the south's economic success. They may have to wait until the peninsula is unified, says Dominic Ziegler (interviewed [here](#))**

AT THE heart of North-East Asia sits a failed state with the worst human-rights record on Earth. The regime maintains its grip by putting one in 20 of its population in military uniform. One in 40 has spent time in the gulag. Mobile phones and the internet are forbidden, except for the elite, and radio and television sets are made to tune only to government stations. Unauthorised travel within the country is banned, at least in principle. Food shortages are chronic, and a decade ago the regime's malign neglect created a famine that killed between 600,000 and 1m people. The famine still casts a long shadow, and not just through malnutrition and stunted growth; recent studies of refugees have pieced together a picture of a population that, in wide swathes, remains traumatised—and there are fears that famine conditions might be returning.

Now fresh uncertainties have arisen with reports that North Korea's dictator, Kim Jong Il, may be seriously ill. That has underlined how little the outside world knows about North Korea. What to do about this failed state, which happens also to possess the material for nuclear bombs, is likely to be the region's single biggest challenge over the coming years.

Slap next to all this sits the epitome of globalisation's success, whose men on average are three inches (7cm) taller than their poorer neighbours. Half a century ago South Korea's economy was on a par with Upper Volta's. Today its citizens have an average income per person of \$20,000. They enjoy the highest penetration of broadband internet on Earth, along with a popular culture of television shows and music that has become a highly bankable Asian export known as the "Korean wave".

South Korea's success is often called the "miracle on the Han", after the river that runs through the 23m-strong capital, Seoul. Yet a more obvious explanation is the sweat and the tears of a people with a passion for work and self-improvement, coupled with generally enlightened economic policies since the 1960s—often in the face of what is now known as the "Washington consensus". As well as a modern economy, this impassioned people has also fashioned a constitutional democracy out of a military dictatorship, again with sweat and tears and not a little blood.

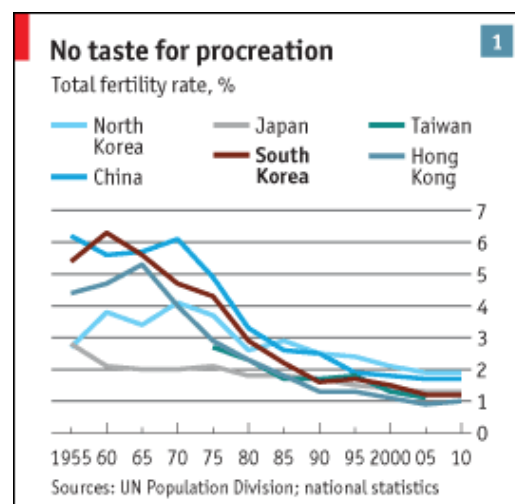
The regime in the north tries hard to keep its citizens in the dark about the south's success, and in South Korea six decades of separation have done much to weaken the blood ties which, in both states' official rhetoric, are supposedly unbreakable. Reunification of the peninsula remains a hallowed goal on either side. Yet for most people in the south, North Korea is not just another country but another planet. Some 10,000 North Korean defectors now live in the south, but despite efforts by the government and others they live mostly on the fringes, despised by many South Koreans and ill-qualified for decent jobs. "The Crossing", a film with a star cast released in Seoul this summer, authentically recreates everyday life in the north and explores why its citizens are driven to leave their homeland. Yet it was quickly eased out at the box office. South Korea is ill-prepared, psychologically, politically and economically, for the unification presumed to follow the eventual collapse of the north.

The cost of such a collapse scarcely bears thinking about—and South Koreans for the most part are trying their best not to do so. The task would make West Germany's absorption of East Germany look like a doddle. South Korea is merely a middle-income country, with only a minimal social safety net to offer its own people, let alone abject North Koreans, who are perhaps 15 times poorer than their southern counterparts (whereas East Germans were two or three times poorer than West Germans at the time of unification).

So unification, if and when it comes, will require South Korea to field huge resources, however much help it might get from international institutions. That is a good reason to start building them up now. Yet there are also plenty of pressing home-grown reasons for more economic growth. The most important of these is a dramatic plunge in fertility. Today's birth rate is extraordinarily low, and heading lower. This is an Asia-wide trend, but South Korea's has fallen more than most. The total fertility rate of South Korean women (ie, the average number of births they can expect) has dropped to just 1.26 (see chart 1), down from 4.5 in 1970 and 1.5 in 2000. That is roughly half the rate at which a population replaces itself. In other words, the child-bearing generation 25 years from now will be roughly half the size of the current one. Even Japan, famous for its dearth of children, has a higher fertility rate, at 1.3.

For South Korean women, as for those elsewhere in Asia, this appears to be a good thing, offering them greater security and more autonomy than ever before within a Confucian family structure that has historically been hierarchical and male-dominated. Even better, South Korea's mortality rate has also fallen steeply, and people can now expect to live 30 years longer than they did at the start of the country's modernisation in 1960.

Yet the fall in the fertility rate may reflect dissatisfactions too: notably, over the difficulties faced by women who want both to work and to raise a family. Almost everyone still gets married in South Korea. In other words, the fertility rate is falling because more women are postponing marriage to nearer the end of their reproductive lives. That is partly because the burden of raising children still falls heavily on women, whereas men are consumed with work, which in South Korea, as in Japan, entails long hours and drinking sessions late into the night.





Also as in Japan, companies, despite some improvement, still discriminate heavily against women, especially those with children. Just one-third of South Korean women go back to work after having children, half the OECD average. The World Economic Forum's ranking of sex equality puts South Korea 97th out of 128 countries. This represents a huge economic and social waste, and not only because South Korean women are better educated, on average, than their men.

Either way, the profound consequences for the economy, the government's finances and the nation's social structure have barely begun to sink in; nor has the impact on families. Nicholas Eberstadt, a demographer at the American Enterprise Institute, puts it with only mild exaggeration: changing fertility patterns mean that "2,500 years of East Asian family tradition stand to come to an end with the region's rising generation." What will it do to people if many, perhaps most, of them will no longer have brothers, sisters, uncles, aunts or even cousins? As Mr Eberstadt points out, when family structures atrophy—even in a country such as South Korea where children are treated as fondly as they are in Italy—sturdy institutional alternatives will quickly need to be found to take on the role now played by family networks.

As the South Korean population ages, the country's high savings rate is almost bound to decline, which will have an effect on both what the economy can invest and what the government can raise in taxes. As it is, the country's national pension scheme and a long-term-care scheme for the old are only two decades old, and their funding structure is not geared to South Korea's expected demographic transformation over the coming quarter-century, which will involve a rapidly ageing society, a shrinking workforce and a population in absolute decline.

## In search of a miracle

Until now most of the debate about such matters has concentrated on Japan, where the working-age population has already begun to fall. Yet Japan is a prosperous place, which will help it deal with the consequences. In South Korea the average income per person is only half Japan's. If the country does not find new sources of economic growth, it will grow old before it grows rich. Throw in the prospect of paying for the integration of 23m North Koreans to the mix, and the case for a radical approach to growth—in essence,

another miracle on the Han—starts to press itself forward. The only problem is the country's dismal politics.

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