Kaleidoscope International Journal, Boston College's undergraduate-run publication focusing on international affairs and cultures, intends to: serve as an unbiased medium for students to publish research and opinions on international affairs; share personal experiences in regards to the cultures of the globe with the Boston College community; and promote a global outlook at Boston College.
Guidelines for Kaleidoscope Submissions

1. Any topic relating to international affairs, cultures, and history, as well as personal cultural experiences, is acceptable.
2. Papers should be submitted in Microsoft Word format. Single-spaced, size 12 font, and submissions should not exceed 8 pages. At least three relevant photos, with captions, are required.
3. Photodiaries and other creative submissions are encouraged. Photodiaries should include at least 5 photos with captions and a brief description of the photo set.
4. Please include, along with your submission, your name, school, department, year, and contact information.
5. Any and all material that is not your own must be cited, including photos and images.
6. Submissions should be emailed to bc.kaleidoscope@gmail.com with the word “Submission” included in the subject line.
Letter from the Editor

This latest issue of the Kaleidoscope International Journal is a proud production of the Kaleidoscope staff. The Spring 2013 issue maintains our four major categories and introduces a new organization for our articles.

Our cover article recounts a Boston College student’s thoughts on needs and wants in developing India. This philosophical and insightful article describes the author's experiences with the trying conflict between modernity and tradition in India. That article is followed in the Cultural section by a French exchange student’s take on the “French” culture of Montreal. The Current Affairs section begins with an article on NATO expansion. The author takes a clear position in favor of unconditional further expansion of the alliance to face a changing world. Next is an article on the nature of the labor markets in the European Union and the effects of migration within the common market. The third and final article in the section explains the importance of education in alleviating poverty in a poor neighborhood in Santiago, Chile. Our Photo Diaries section displays two captivating views. The first presents Christmas on the Caribbean island of Jamaica. The second provides a window into the history of India as preserved by the various sites across the country. The Historical section begins with an article by our very own Senior Copy Editor, Chris Criswell. The article recounts the revival of the Hebrew language in Israel and the various policy implications associated with it. The Spring 2013 issue is concluded with an interesting article on the economic growth model implemented by South Korea since the 1960s.

The entire Kaleidoscope staff is very proud of this issue. We thank our contributors, sponsors, and the continued support from our loyal readers. We hope you enjoy all the intriguing articles in this latest issue of the Kaleidoscope International Journal!

Omeed Alerasool
Editor-in-chief

The information provided by our contributors is not independently verified by Kaleidoscope. The materials presented represent the personal opinions of individual authors and do not necessarily represent the views of Kaleidoscope or the Boston College community.

The Kaleidoscope team is now recruiting. Anyone interested in editing submissions, taking photos, developing the journal, or being a staff writer is encouraged to email bc.kaleidoscope@gmail.com.

Cover Photo: Deryn Mair Thomas
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This section contains articles discussing aspects of the many cultures that Boston College students have experienced through family heritage, studying abroad, or personal travel. Bringing you a glimpse of interesting traditions and other cultural experiences, Kaleidoscope International Journal hopes to inspire students to travel and to explore the diversity of our world.
Loneliness in India is a contradiction—one of many. It does not appear to occur naturally, though it can be found in the corners, in the shadows, in the dark. But it is not inherent to the culture. People live atop one another, under each other, tangled into webs of consciousness and existence. In some ways, the self becomes lost in the identity of the greater whole, in the land, and in the air and pollution. India is a land of contradictions. In a population of 1.2 billion people, I am able to find solitude; I am able to find myself.

India has a subtle way of illustrating the fact that a person’s concept of need is continually changing as based upon his or her perception of what is necessary and what is luxury, which is, in turn, determined by his or her understanding of the surrounding world. Life here is a constant enquiry into the nature of need and necessity and into why so many are bound to a need that is excessive.

Our packaged, Western happiness is a prime import to India. The West has come here in the form of McDonalds, blue jeans, and technology, in Valentine’s Day, Hollywood films, and freedom. Technology, namely that of the cellphone, is my best example, in that it is so shockingly assaulting, so “in your face” all day, every day. These devices have evolved into a fifth appendage on people, sustaining mutated life via electronic communication and manipulated brain waves. I exaggerate because it is more noticeable in India than in the US, despite that same buzzing affliction—in the hands, in the ears, in the minds of every single piece and particle and person of the 1.2 billion population. The irony of it all becomes apparent when you find yourself face to face with advertisements for smartphones on billboards the size of buildings, on billboards painted on the sides of buildings, on homes. The homes of the 1.2 billion who live without clean water, without reliable electricity,
without guaranteed healthcare, sanitation, education—I could go on. In fact, I once noticed in the shell of a partially completed apartment building that someone had made a home by hanging tarpaulin for walls below a TV network satellite dish, which was lashed neatly to the outside of the muddy, matted bricks. This is not uncommon. People living in slums will have satellite dishes perched shamelessly atop their tents. Momentarily ignoring the practical questions that always arise in my mind upon seeing this (such as where the TV is and where the electricity is coming from), I acknowledge that there is something disturbingly perverse about the way technology is perceived in modern Indian society. It is not only being placed above arguably more important necessities, but being perceived as having greater importance than those things, which should be considered universal human rights: food and clean water. Embedded in this attitude is the acknowledgement that the elevation of social status through material possession should be attended to before the elevation of health or quality of life.

Here my own experience with need has been two-fold by addressing the existence of need both inside and outside of myself. First, I have witnessed poverty more extreme than I have ever seen before. In this, and comparing my own context to it, I have become accustomed to a sort of relative theory. Need is relative. This is a fact of reality, but should it be? The state of existence here makes me wonder; at what points do needs become universal rights? Why in some places are they not? My experience is relative, to myself and to my time and space, but it is also universal since everyone is experiencing a relative moment of a common reality. All actions and thoughts are an expression of the same reality.

Secondly, I have experienced the slow release of desires within my own life here in India. Things that I once expected to be
provided for me or available to me I have easily forgotten, proving only that I never needed them in the first place. I make do without. The more I acknowledge that I do not need, the happier I find myself. People here experience a different kind of living, of aliveness, of life. I have found that I, or “we” as a privileged Western community, have no right to define happiness because we are the least qualified to understand what it is. We sell happiness in packages—quantified, counted, and calculated—rather than truly understanding its presence.

Reject the unnecessary and you find a simpler way of life; a quieter, more peaceful way of interacting with the world. Such a way of living can only bring good out of people and into the world. It is not out of our control to change the shape of the future, and it is never out of our control to recognize that the way we are living is destructive and to redirect our misguided intentions. I recognized this here, but each will have his own India, his own place that shows him the sky is real and leaves part of it resting quietly in his hands.

Within the last two months, my temporary home has had many things to say to me. It tells me that eventually I will return, which is truth in its most unanticipated form. India is an alluring blur of life, color, and truth. It is only the beginning for me, but I have encountered the universe in its finite existence. The universe is everywhere, in everything, spreading high and wide into the inconceivable smallness of this earth, stretching its infinite distance into each and every familiar and unfamiliar reality. Open your eyes wide enough, and the whole world will become yours. Beyond this, nothing is needed.

*Deryn Mair Thomas is a Philosophy major and International Studies minor, Class of 2014*
A City More French than France?

The first thing that surprised me in Montreal was its “Stop” sign. Instead of using the English word “Stop” as in France, their signs boldly spell out the French word “Arrêt.”

Montreal is indeed the second largest French-speaking city. Certain separatist people of Québec even gathered in the streets when the percentage of French-speakers in Montreal dropped. By the way, here is a little tip to break the ice with Canadians when visiting Montreal: try to pronounce some words in French, they will appreciate it!

As in France, art galleries, cafes, and terraces are popular in the city. When I arrived in Montreal this summer, the lack of bars with terraces annoyed me, but I finally found them! The concept of a terrace is very famous in France. Even if you don’t have a Pierre Hermé macaroon to eat or a coffee to sip, the simple act of sitting and commenting on people wandering by is very French.

Many French restaurants animate Montreal’s culinary scene. The “bistros” are probably better than in France, revising some great classics of the French cuisine like the “filet mignon” or the warm “chèvre salad” (oh oui, du FROMAGE!).

These places obviously present different price ranges and some can turn out to be pretty expensive. Our budget eventually drove us to McDonalds. And there again, Montreal proved to be more French than France. In Montreal’s McDonalds, you do not order a “menu” but a “trio.”

The architecture of Montreal also tends to make the city French-looking. Paved streets and small plazas make it pleasant to walk around. You should have a look at the Old City and the Port; these parts are particularly lovely!

Obviously, a tourist cannot miss their Basilique Notre Dame after appreciating the Cathédrale Notre-Dame in Paris! The artwork is impressive and shows a great attention to details. In consequence, Montreal is advertised as a way to “experience the French culture in America.” People even describe it as the “Paris of North America.”
This Is Wrong

The food and the language prove that Montreal is far from being truly French. In France, the importance of food does not need to be proven anymore. Food must be tasty but also classy. Texture, presentation, and colors all count. The food is an art and belongs to our culture. Therefore, for true French people, the “Poutine” is gross! (For French people who enjoy food, however, the Poutine is a must!). The Poutine depicts what a Canadian city truly is: an American city where the weather is colder and the fries softer.

Finally, a clarification on the language is necessary. French has many variations. From the South to the North, between the West and the East, without forgetting Corsica, French people speak with very different accents and have their own dialects. I even sometimes struggle to understand what French from the South say to me, yet we all agree to say that they do speak French.

Let Montreal Be Canadian

Montreal has many assets to show as a Canadian city. As a French tourist, I fell in love with its landscapes, friendly atmosphere, and the maple syrup. Go visit Montreal without any “French” expectations and discover Heaven by biting the pancakes of Eggspectations. The fruit and granola smoothies are amazing!

Floriane Ettwiller is an exchange student from France studying Political Science and International Relations
Current Events

This section contains articles discussing current events from around the world. As part of the Kaleidoscope mission, we aim to bring you interesting updates and opinions about the world today from Boston College students. A global mentality starts with awareness.
In a post-9/11 world, the North Atlantic Treaty Organization (NATO) has looked to enlargement as a mechanism to increase its security umbrella. Ivo Daalder and James Goldgeier have argued that “NATO's next move must be to open its membership to any democratic state... that is willing and able to contribute to the fulfillment of NATO's new responsibilities.” With unprecedented “out of area” operations, NATO ought to enlarge to support its global presence. NATO should expand to increase its collective security and enhance its ability to conduct international crisis management missions. Once NATO accepts pending membership applications, it can direct its attention to non-traditional, yet promising, new member states.

Membership offers should be extended to states that actively support NATO missions and are poised to contribute to NATO's collective security. For example, Macedonia currently has 160 troops involved in peacekeeping in Afghanistan. NATO stands to gain from Macedonia’s accession because Macedonian membership would allow NATO to enhance international stability and security. Not only could NATO provide additional security in the Balkans, but it could also work with Macedonia in a common security framework to coordinate international missions in Afghanistan and Kosovo.

Macedonia’s stalled bid for membership should move forward with NATO continuing to pressure Greece to resolve the name dispute with Macedonia. In 2011, the International Court of Justice (ICJ) ruled that Greece could not block Macedonia's membership bid because it objected to the country's name. The ICJ ruling stopped short of requiring that Greece accept Macedonian membership. In order to convince
Greece to accept Macedonian membership, NATO should set a timetable for resolving the name dispute and offer to serve in an advisory role during Macedonia’s accession negotiations. If Greece does not meet the timetable and fails to support Macedonia’s accession, NATO should require Greece to contribute to the Afghan National Army (ANA) Trust Fund; currently, Greece does not pay into the Fund. Once Macedonia and Greece resolve the name dispute, Macedonia should accede to NATO.

Unlike many current NATO member states that have not met defense-spending expectations, Macedonia exceeds NATO’s defense spending target by 4%. Therefore, enlargement presents a way to reenergize NATO’s military and defense operations with new members’ contributions. NATO members are expected to meet the defense-spending target of 2% of the member state’s GDP each year, but many NATO states have failed to reach the target. Germany’s defense expenditures as a percent of GDP only totaled 1.4% in 2010, falling short of the necessary 2%. Failure to meet the 2% target prevents NATO from effectively carrying out its mandate to provide for members’ security or address threats to international security such as unstable regions, terrorism, and the production of weapons of mass destruction. As a result, NATO should enlarge to include states that increase its security capabilities and defense resources. After NATO admits states such as Macedonia, it can look to non-traditional, potential member states such as Australia and South Korea. Australia currently spends 3% of GDP on defense while South Korea spends 2.7%. Although Australia and South Korea fall outside of the traditional trans-Atlantic borders, if NATO is committed to expanding global security, it should grant membership to both states.

Both South Korea and Australia have robust economies and an interest in working with NATO, as demonstrated by their involvement with NATO forces in Afghanistan. Currently, over 1,500 Australian Defense Force personnel have participated in the NATO-led International Security Assistance Force (ISAF) mission in Afghanistan. Since some of NATO’s current member states are “unwilling or unable to contribute sufficient resources to the ISAF,” NATO should encourage Australian membership because Australia has played a role in NATO’s missions in the past. Much like Australia, South Korea is a critical player in Afghanistan and NATO membership would
allow it to operate within NATO’s defense structure to provide stabilization in the region. Adding Australia and South Korea to NATO’s ranks would increase NATO’s military capabilities and give the organization more flexibility to operate globally. Expanding the alliance to include non-traditional members will aid NATO’s capacity to react swiftly and efficiently to threats to international security. Opponents of Australian and South Korean NATO accession argue that both states have more pressing security interests in the Asia Pacific region and would not be willing to work with NATO on global security. South Korea’s and Australia’s interest and involvement in Afghanistan and NATO security partnerships, however, convey their interest in cooperating with NATO as aspiring potential members.

Although NATO feels a historic link to North Atlantic states, in that it was formed as a trans-Atlantic alliance, it should look to other states that could possibly contribute militarily to the alliance. Developing partnerships with states like Australia and South Korea is a first step, but NATO must now go further and invite states with similar defense priorities to become official members. As NATO’s focus moves towards international stability, offering membership to states that have a vested interest in NATO security endeavors would strengthen NATO’s joint military operations so that members “interact smoothly and efficiently when a crisis erupts.”

*Elizabeth Wall is a Political Science major and Hispanic Studies minor, Class of 2013*
Labor Markets and Migration in the European Union

Orna Donnelly

“Liberalizing migration allows workers to specialize in areas in which they are most proficient, thereby raising productivity and output.”

Labor is undoubtedly the most precious input of any economy. While harnessing manpower to drive economic prosperity characterized industrialization, today, service-orientated businesses and the digital economy are empowered by a knowledge society. This essay will first analyze the characteristics and function of the labor market in Europe, with a focus on the role of trade unions and long-term unemployment. The discussion then evaluates the influence of European integration and migration on the labor market.

Characterization of the European Labor Market

The market for labor constitutes more than a general exchange relationship, according to which supply and demand alone determine market equilibrium. What are exchanged on this market, rather, are the time, talents, and efforts of laborers (Baldwin and Wyplosz 2012). In the labor market, regular demand and supply curves are of course applied, but they nonetheless mask some unobservable differences unaccounted for by competitive equilibrium. Firms may employ more employees than they need if they face strict dismissal and compensation procedures. Rather than being determined by the equilibrium point of supply and demand, the price of labor (i.e., the wage rate) is influenced by exogenous variables. That is, bargaining between employers, employees, and trade unions, as well as social security taxes, regulated wage contracts, and specific legislation, combine to exert upward pressure on wages (Baldwin and Wyplosz 2012). If the wage rate exceeds the equilibrium rate for the labor market, unemployment will result. Furthermore, a proportion of the labor force that is involuntarily unemployed will always

Stringent immigration controls risk the exclusion of talented knowledge workers from national labor markets.
exist. This principle is reflected in Spain’s dual labor market, in which many skilled graduates cannot find employment or, if employed, enjoy little benefits on short-term contracts.

**Measurement Methodology: Crucial Consistency**

The labor force is expressed as the sum of employed and unemployed people. Although this captures the magnitude of the labor force, the best measure of the performance of an economy is given by the number of people employed within the active working age population. Measurement consistency is vital in evaluating job and unemployment statistics across the EU. For example, in the second quarter of 2012, Spain reported youth unemployment of 53.2%, while the percentage of young people classified as unemployed (looking for work, and outside education or another form of activity) stood at 23%, a large, yet less alarming figure (Johnson 2012). Diagnostic errors in identifying unemployment often overlook those who have become “inactive” in the labor market. Discrepancies may also exist between standardized rates of unemployment and social welfare office rates. Labor Force Survey for Ireland shows 200,000 people on state unemployment benefits, while the national social welfare statistic states that 460,000 people currently claim the benefit (O’Hagan 2012). At an international level, European countries, and EU member states particularly, trail the United States in employment-to-population ratios and unemployment rates. This may be due to the ethos of social protection as part of European labor regulation.
Trade Unions: Roles in the Labor Market

The historic role of trade unions remains evident at European level. Unions bring stability to employment protection in countries including Germany, Sweden, and to the UK public sector. There is a strong union presence in the Nordic countries. The corresponding low unemployment rates in this region of Europe suggest that a strong union presence can indeed complement welfare states while also working to reduce unemployment. Although Ebbinghaus (2002) warns of de-unionization (the decline in the density of union membership), high levels of organization amongst unions and employers still distinguish the EU from non-European OECD countries and its other global competitors. Not only responsible for collective bargaining of wage contracts, trade unions play an important role in protecting members’ rights in terms of work hours, health and safety in the workplace, holidays, parental benefits, and pensions (SIPTU 2012). Yet high and persistent unemployment benefits can in turn create long term unemployment.

Long-term Unemployment

In many EU countries, unemployment appears increasingly structural in form. The duration of unemployment is increasing amid persistently low job attainment rates, and the matching of supply and demand on the labor market is becoming less efficient (European Commission, 2012a). Although activity rates remain resilient in most countries despite the persistent labor market slack, there is a risk that marginally attached workers could begin leaving the labor force. The reunification of Germany in 1989 ushered in a period of sustained unemployment. Under the guidance of Chancellor Schroder, such low employment rates has dwindled, and Germany now enjoys a well-functioning labor market with efficiently-administered unemployment benefits. Long-term unemployment, however, still persists in other Big Six countries, such as France, Italy, and Spain. The financial crisis and Eurozone debt crisis has exacerbated the problem leaving many young graduates without work over prolonged periods of time, further slowing the momentum of a dynamic and competitive labor market. In light of widespread economic uncertainty, a growing share of employment is conducted on temporary contracts. Spain’s two-tier labor market, where young, inexperienced graduates enjoy little benefits or protection on short-term contracts, while more mature employees receive greater benefits and job security, is an example of this phenomenon.

Hysteresis

A further issue pertaining to long term unemployment is that of “hysteresis.” The longer a person is unemployed, the less employable he or she becomes. Human capital diminishes as one’s skills atrophy, spurring, appropriately, a loss of motivation to look for work. In the United States, 1.7m people have joined the disability register since 2007, reclassifying themselves as no longer available for work. Europe can learn much from America’s situation where both Democrats and Republicans in the recent presidential election proposed job-training programs and credits to companies that hire workers who have been unemployed for longer than six months (Lowrey and Rampell 2012). Welfare systems must also
be recalibrated to combat inefficiencies. Generous unemployment benefits, if not tested and enforced correctly, will encourage the slacking of the labor. Although Europe boasts diverse and complex labor markets, more can be learned from fellow member states. Enforcement of the conditions to welfare payment is crucial. Germany, the Netherlands, Austria, and Nordic countries enjoy well-enforced, generous schemes. Verification and means testing check for fraud; retraining initiatives through vocational skill courses means, on the other hand, that the unemployed remain available for work.

Integration
EU integration has transformed national labor markets and continues to do so. Trade liberalization, the Single Market and cross-border technological progress enhances the flexibility of labor markets. European integration has been pivotal to creating the conditions for economic growth and new, skilled, high-wage jobs. Supranational agreements in fields such as capital movement, entrepreneurship, technological innovation, patents and intellectual property rights have led to an increase in living standards across Europe. Subsequent wage increases, however, cannot be passed onto consumers by way of higher prices, thus encouraging firms to bring costs in line with competitors. High product market competition will encourage labor demand curves to become more elastic and shift outwards. Haffner et al. (2000) predict that higher employment rates in countries with greater overall levels of product market competition will increase the positive repercussions for labor market performance.
Monetary Union

Monetary union has increased the efficiency of the Single Market, eliminating exchange rates and foreign trade policy for the Eurozone. As previously mentioned, the economies of Europe are increasingly becoming characterized by their human capital and knowledge-based sectors. Countries may no longer rely on currencies as powerful macroeconomic tools. This reinforces the importance of dynamic and transparent national labor markets in order to coexist with the rest of Europe and compete on a global scale. Zimmermann (2009) cites greater command of languages and standardization of social security systems as two initiatives that can enhance the richness and reach of Europe’s talent pool.

Migration

From the signing of the Treaty of Rome to the recently launched Single Market II Act, the labor market has shifted to the forefront of European migration focus. The latter legislature, which improves the ease of mobility of individuals and businesses, encourages entrepreneurship, and makes capital more accessible across the EU, has been celebrated both amongst Member States and internationally.

It had been previously argued that European migration was responsible for high unemployment, abuse of social welfare systems, and anti-social behavior. Baldwin and Wyplosz (2012), however, suggest that unskilled, migrant workers complement skilled workers and capital in such a way that demand for skilled workers and capital increases as the supply of unskilled workers increases and, naturally, their price falls. Migration flows are not endogenously connected to the EU but to the general economic well-being of an economy. This is apparent in France, Germany, Scandinavia, and Ireland, whose unskilled workers often fill positions that native workers would not occupy (generally, construction, mining, manufacturing, health, hospitality, and tourism sectors). Furthermore, liberalizing migration allows workers to specialize in areas in which they are most proficient, thereby raising productivity and output. A larger market fuelled by trade distributes the fixed costs of innovation more thinly, encouraging investment in research and development of new products and ideas throughout Europe (The Economist 2012a).

An example of free movement: Migration in Ireland

Enlargement and the resulting free movement of citizens around Europe can be seen in Ireland where cultural diversity has increased in recent years. Before the enlargement of 2004, Ireland was cocooned in its relatively homogenous demographic. Today, this country enjoys a multifaceted demographic make-up. Second level schools offer up to eight modern European languages on the Leaving Certificate course, and students can avail of subsidized Erasmus programs to enhance their knowledge and skills while experiencing another European culture. Migration of labor is not only an economic phenomenon studied by academics, government, and policy makers, but constitutes our social and cultural architecture as reflected in the multi-denominational nightlife of our capital city, the multilingual technologies of public transportation, and the fusion of different...
cuisines and ethnic foods stores.

**Barriers to Migration**

Unfortunately, migration is a contentious issue for some Member States. Net migration countries are increasingly enforcing national barriers that are difficult to surmount. Regulating migration at a national level (despite EU level efforts to improve the mobility of EU citizens) by limiting migrants’ rights to access permanent residence citizenship may result in much of the migrant worker population being marginalized and excluded from the national labor market. Britain’s obstreperous membership of the EU is increasingly characterized by an aversion to migration from non-member states. Lengthy, expensive, and complex legal procedures await those who hope to gain entry. Workers and students face rules, red tape, and rhetoric while employers balk at the cost of sponsoring a new graduate for a work visa (The Economist 2012b). Yet this is a talent pool that is crucial to developing skills and global networks that confirm the UK’s position as a global hub for service exports. Britain may pursue this risky strategy at their peril.

Citizens of non-member states may be viewed with skepticism in their ability to actively integrate into society and the given national labor force. Difficulties concerning the recognition of qualifications and training, particularly in the service sector are further barriers to migration. Indeed, policies must be in place to protect the host countries’ interests, but they must remember that, as part of the European project, where collectivism, integration, and freedom of mobility of individuals were agreed upon many years ago, selectively choosing more-skilled or wealthier candidates for citizenship is not commensurate with a European ethos.

Looking forward, Europe’s “blue card” system, induction programs for new migrants, and improved transition of foreign-born graduates to European labor markets offer sustainable commitment to the importance and true benefits of migration to the labor market.

**Conclusion**

To avoid further economic decline, growing risk aversion, protectionist trade barriers, and negative attitudes toward immigration, European labor markets must be re-energized. Such a stimulus would comprise a sustained and interconnected investment in education, innovation, and cross-border infrastructure. Now is not a time for individual indulgences whether it is from veto-wielding Britain or indebted peripheral states. Now is the time to unite once again and renew commitment to Molke’s vision of “Build no more fortresses, build railways.” The message of enhanced integration and cooperation throughout the continent resonates through these words spoken by Helmuth von Molke, a Prussian field-marshals (The Economist 2012c). The Europe 2020 initiative emphasizes the role of migration and integration in reaching employment targets, combating poverty and delivering on the strategy’s headline initiative “New Skills and New Jobs” (European Commission 2012). By its name, Europe appears to be pivoting towards a new employment ideology. Not only focused on creating greater quantities of new jobs, European policy makers are also determined to enhance the depth of quality exercised in these jobs through the skills employed therein.

*Orna Donnelly is an exchange student from Dublin, Ireland studying Economics and Business*
Though not as apparent or acknowledged as in other Latin American countries, poverty in Chile is a real and persistent problem that is causing major tensions in the country. One of the most important ways to overcome this poverty is education, which gives all children the opportunity to learn and acquire the abilities and knowledge to find stable employment and leave Chile’s lower class. My social work at the Centro Abierto Santa Adriana during my semester in Santiago, however, has shown me that many of the children in the community do not take advantage of this opportunity, and focus on less constructive activities which are more damaging to their long-term prospects. I would like to investigate the roots of this behavior and propose a solution involving community programs for the parents in areas like Santa Adriana to encourage solidarity and mutual understanding between families regarding the common problems they face, and to teach them how they can give their children a better future through a greater emphasis on education.

The Centro Abierto Santa Adriana is located in Santa Adriana, a part of the Lo Espejo community in Santiago, Chile. Santa Adriana, according to Terra Chile, is one of the most dangerous communities in Santiago. The most common illegal activities are the “consumption and trafficking of drugs, burglary and theft... [and] prostitution.” Lo Espejo is a lower-income community; it has 25,912 residences, more than 15% of which live in poverty. There is an average of four people per house, and the average monthly income is 414,210 pesos, about $830. The community has a density of more than 220 inhabitants per hectare, the average education level of the heads of the household is nine years, and only one of every five youths has access to higher education.

“For me being poor is when one has a family and all the energy, all the desire to work but there is none. One moves here and there, but finds only closed doors.”

–A Santiago native
Clearly, there is an education problem in this community. The institution where I worked this past semester, Centro Abierto Santa Adriana, is doing much to overcome these challenges and ensure that the children in the community stay in school and avoid a life of delinquency and poverty.

Centro Abierto Santa Adriana, or CASA, is a place where the children in the community can stay during the day when they are not in school. It provides a safe place to do homework, study, and play with friends. According to the organization’s website, it “was created in 1962 by a group of empowered people from the Colegio San Ignacio El Bosque to concretely contribute to the overcoming of poverty, and that today is an open center where more than 100 at-risk girls and boys between the ages of 5 and 17 come every day when they are not in school.” In 2007, there were 58 families using CASA’s services. About 80% of the parents in these families were employed, while about 15% didn’t have a job. Of those employed, 60% were either street vendors or housecleaners, in effect rendering the average household income to be about 150,000 pesos (roughly $300) a month (much less than the average income of the general population in Lo Epejo). From these statistics it is clear that these people are among the most afflicted by poverty in the community.

I worked at CASA every Thursday morning for 10 weeks, during which time there were about 25 kids between the ages of 4 and 11. When I got to the center each day, the parents and their kids from Colegio San Ignacio, the wealthy private school that funds CASA, would be in the classroom visiting the facilities. Since the center receives its funding from Colegio San Ignacio, Colegio San Ignacio has a stake in the operations of the facilities and in what type of services the children receive. On the whole, the students at the center are caring, intelligent, charismatic, and very friendly. However, it is evident that they do not place much importance on education. This is the Center’s biggest challenge. This paper will examine the possible sources of this perception of education, particularly operating on the thesis that this negative attitude towards schooling originates in the home, with the family, and will propose solutions for breaking this circle of poverty.

The problem of a lack of personal motivation to have a good education and overcome poverty in this manner does not have a clear origin; it is a cycle. Parental figures, living in poverty without much formal education themselves, become too distracted in the face of immediate problems – such as buying food and clothes, paying off debts, etc. – to be able and willing to instill in his or her children an appreciation for education. Furthermore, when a parent has problems with drugs, alcohol, depression, or domestic abuse, children are rendered susceptible to such bad habits.

From this situation, the challenge of furnishing children with an appropriate role model rises to the fore. Testifying to the complexity of this challenge, however, is the following example: while at CASA, I was talking with a 7-year-old boy and told him, “Education is the most important thing for you.” He responded, “No, having a girlfriend is the most important.” What should we do in light of these cultural priorities?

Some parties do, however, try to resolve this issue with education for children. School teachers, no less at CASA, do their part in counteracting the negative influences found in children’s home. The Chilean government also assists with combating the issue. Governmental
institutions with a focus on poverty, in particular, should establish communal meetings in low-income communities between parents and social workers with the goal of changing negative attitudes towards education as well as behavior problems. This is a strong solution in that, ultimately, parents will necessarily have the most influence over a child’s development.

To increase the chances of success for this program, several criteria should be met. The most important is that the government publicizes such meetings. Further, the state must fund all the components going into the program, such as social workers, advertisements, meeting locations, materials to encourage discussion. Similarly, the program’s creators need to recognize that at the beginning, not all of the parents will want to attend these meetings, and these are the parents that probably have the worst influence on their children. To solve this issue, the state can raise attendance levels with free food and include time to watch a soccer game as a group for part of the meeting. This would encourage participants to bring others and expand the group. Inevitably, other difficulties will occur during the implementation of the project, but these preliminary precautions will help the project succeed out of the gate.

To completely understand the challenges that poverty causes for the parents of CASA children, it is necessary to summarize some concepts that relate to the themes of poverty and development. First, poverty as a multidimensional condition is not just a lack of financial resources and basic necessities. According to Klugman, “If income is fundamental, since without resources any advance is difficult to achieve, we should also take into account if people can live a long and healthy life, if they have the opportunity to receive education and if they are free to apply their knowledge and talents to shape their own destiny.” All of these other
components of a life without poverty are as important as income, and precisely resulting from this, the Index of Human Development measures “longevity, basic education level, and minimum necessary income.”

The mental component in poverty is equally as important and, within the scope of this paper, more pertinent. This understanding of poverty is expressed in “existential categories: to be, to have, to do.” Often linked with poverty is a negative and destructive mentality that includes “a strong sense of marginality, abandonment, dependency, of not belonging anywhere.” This attitude trickles down from parents to children, affecting their perceptions of their own abilities.

For this reason I use the report Voices of Poverty, by the Fundación Superación de la Pobreza, to give a voice to the Chilean poor and help fix this unfortunate situation. One person interviewed in the report says, “Those that are in high school, they are thinking that is as far as they will go... There is a wall in the minds of poor youth that makes them gravitate toward drugs, delinquency, soccer; and that does not let them see that the barriers are easy to jump.” It should be clear that the aforementioned wall is not one of intelligence or ability; many of the children at the Center seem almost too intelligent and independent for children so young. The wall is instead a distorted perception of their abilities.
A second conception of poverty sees poverty manifest in two distinct ways—dependent (or “paralyzed”) and equipped. Dependent poverty refers to the situation when those in poverty do not attempt to better their lives. It has to do with generational entrenchment in “the circuit of poverty and the practices of assistance that the state and civil society have generated to fight the effects of social inequality.” Those in dependent poverty are not employed, or work only a little, and typically do not look for work in light of the state safety nets that guarantee a certain (although low) quality of life. For children in dependent poverty situations, there are no examples to teach the value of education and work. Instead, they are implicitly encouraged to depend on the government for everything. With 15% of the clients of CASA unemployed, it is important that these parents begin to look for work and live with dignity and independence.

The other 85% of CASA’s clients, however, are employed, and thus find themselves in situations of equipped poverty. They work and have much of the paraphernalia of the middle class (television, clean clothes), but at the same time they struggle to find stable employment, feed their families, and provide a good education for their children. One testimony for this poverty type states, “This situation of poverty is distinct because in the past, for example, the orientation of the families was super limited... But poverty has become more spiritual, more social. More material, because everyone has a computer, television, refrigerator in their house, but continue being poor.” What is interesting is that, although the poor buy many of the luxuries of modernity, such consumer goods in fact augment, rather than diminish, a family’s poverty, inasmuch as they are left with more debts to pay down.

This equipped type poverty is often an invisible poverty. The Voices of Poverty report highlights that “this better equipping and access to goods generates a situation of ‘camouflage’ that does not let one see the real situation of inequality, discrimination and want.” The invisibility, in turn, generates resentment towards those in situations of paralyzed poverty. The equipped poor have “a negative view of this culture, reproaching its conduct,” precisely in response to the disproportionate level of governmental aid both groups receives.

The last concept related to my proposed solution for this problem is the state as a social integrator. The program should be directed by the state, because one of its essential functions is to regulate the free market and attend to the consequences of this system. Gutiérrez argues, “The market has replaced the States in its role as integrator,” even though “it is incapable of representing, coordinating and/or offering an imaginary

“Chile will effectively meet the challenges of social inequality only when parents and the government take the issue of education seriously and become active, rather than passive, participants in the development of younger generations.”
“social community,” and this statement seems accurate in Chile’s case. The free market has done much good for the citizens there, but it has also left many behind. The state needs to ensure that these people receive a helping hand.

The state must reassert its role as a social integrator, but it can do this only if everyone has a voice and influence in its policies. Additionally, the state should be careful to avoid designing this project “from the desk,” that is, by technocrats working without input from the parents in the community. Without consulting the people that live in poverty, the government will never be able to design a program that helps people effectively in the long-term. To succeed, the technocrats should interview the parents in Santa Adriana like in Voices of Poverty and take their suggestions into consideration. This will ensure that whatever final design the program has will succeed in changing the attitudes of the parents so that they send the right message to their children about the importance and value of a full education.

Though I feel like my time at CASA did help, I also recognize the possibility that the children may continue more or less as they did before my time there. It is therefore essential that the program I proposed above is implemented. Chile will most effectively meet the challenges of social inequality only when parents and the government take the issue of education seriously and become active, rather than passive, participants in the development of younger generations.

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The author with Jacob, one of the children at CASA
This section contains collections of travel photos submitted by students to showcase the spectacular beauty of various parts of the world. From urban areas with characteristic architecture to lush rural areas with natural beauty, there is so much to see.
I spent this past Christmas with family on the island of Jamaica, located in the Caribbean. Christmas in Jamaica is very different from the Christmas we think of in the Northeast, which is defined by the cold and snow. Pictures here were mostly taken along the South Coast of Jamaica. On our journey we drove through a beautiful bamboo-lined road and stopped to buy peppered shrimps sold by a few Jamaican ladies on the side of the road. The pictures depict the beautiful scenery and natural landscape of Jamaica and also give a glimpse of life in Jamaica.
Top Left: Ladies sell their home-cooked peppered shrimp to us (very spicy).

Top Right: Fishermen preparing to sell a large fish on the Fisherman’s Beach beside “Little Ochie.”

Bottom: “Little Ochie”-Seafood Restaurant and Bar

Christmas in Jamaica
Top Left: A vendor chopping a coconut in order to get the coconut water and the jelly from the inside.

Top Right: The quaint bar located in Ocho Rios, Jamaica, offering Jamaican rum

Bottom Left: People enjoy the refreshing river water of YS falls.

Bottom Right: Sunset at Little Ochie
Top: A Hindu priest stands outside “The Galtaji Monkey Temple”, also known as the “Monkey Temple of Jaipur”, to pray over and bless the visitor at Jaipur, India. Galtaji was once an ancient Hindu pilgrimage site in the town of Rajasthan.

Left: A popular local food in New Delhi, India is the Aloo Gobhi served over a warm Garlic Naan (Tandoori Bread). The Aloo Gobhi has potatoes and cauliflower cooked over with herb and mild spices.
Top Left: Local residents of Delhi give thanks to Guru Tegh Bahadur at the Gurdwara Sis Ganj Sahib in Old Delhi who once served as the 9th Guru of Sikhs in 1665 and was beheaded on the orders of the Mughal emperor in 1675 for refusing to convert to Islam.

Top Right: Men rest under the shade with their cow - an animal prized for its milk and sacred to Hindus.

Bottom: Taj Mahal in Agra, Uttar Pradesh, India. Built in 1631 by Mughal emperor Shah Jahan, the Taj Mahal is a Mausoleum UNESCO World Heritage Site regarded by many as the finest example of Mughal architecture.
This section contains articles discussing historical events that remain relevant to the world today. In an increasingly globalized age, world history is becoming vital to understanding cultures, the perspectives of people from around the world, and the future of international interactions.
That the nation is ultimately an expression of the social will of a few is, among scholarly sources, nearly indisputable. Regardless of the criteria for nationhood put forth—whether based on a common language, ethnicity, heritage, territory, or religion—nations tend to advance through the forceful ideological agendas of prominent intellectuals, codifiers of language, and authoritarian leaders, much more so in the Middle East than in the “elective” based nationalisms of Western Europe. As the case with Arab nationalism and its various phases (i.e., Pan-Arabism) throughout the twentieth century shows, the construction and dissemination of a common “Arab” identity distinct from the multiplicity of colloquial identities wrapped itself up in the privileging of Modern Standard Arabic over the many local “dialects” in the Arab world. Such an example is the totalitarian-esque leadership of Gamal Abdel Nasir, who pushed the United Arab Republic (UAR) merger with Syria and, to no avail, Iraq (Sulemain 2003). John Joseph’s review of linguistic and anti-linguistic theories of national identity covers many academics and concepts beginning from Dante through the German Romantic thinker Fichte, to more modern scholars, such as Benedict Anderson’s “imagined communities,” Billig’s “banal nationalism,” and Hobsbawm’s Marxian reading of nationalism. The 19th century thesis that national identity arises spontaneously through self-consciousness and standardization of dialect has fallen under substantial questioning (Joseph 2004: Chapter 5).

I will focus here on one of these readings, particularly that of the neo-Marxian reading of language and national identity by Hobsbawm, and attempt to superimpose it on the case of
linguistic revival in Israel. To wit, Israel, in resuscitating Biblical Hebrew into a modern form, acted with practical concerns of mutual communicability amongst its melting pot of Jewish immigrants (by 1972, some 50% of new arrivals came from predominantly Arabic speaking countries in Northern Africa and Asia Minor), but the choice of Hebrew works in a specific cultural and perhaps class context (Spolsky and Shohamy 1999: 140). In light of the unique nature of Israel, housing European-Jewish identities under the rubric of a restored Jewish identity, and as a state and national identity that did not bother with a struggle of ethnic distinction from a broader imperial identity, an identifiable, historical bourgeois class pushing for Hebrew as a “national language” (that then transformed the entire political and demographic nature of Israel) may reasonably be absent. Thus, what the precise class element of Israel and the linguistic nationalism of Zionism will be is a more complex question, coinciding with the overall formation of Israel as an independent Jewish nation. In light of this, I will focus on the at times grassroots and at times intellectual-driven revitalization of Hebrew in Zionist practice as well as on the socially stratifying effects that pro-Hebrew linguistic policy has on Arab minorities in the recent policies of the Israeli government.

What the economic ideology of late 20th century Zionist movements would be is a complex matter, investigated by Hellinger
and Londin (2012), who concluded that political affiliation did not clearly correspond with one or another economic ideology. On the level of theory, however, we may speculate about the economic effects (apart from beliefs) in the shaping of a Hebrew speaking nation-state and identity that grew out of pressures towards European Jews from the inability to assimilate socially, and, in some instances, economically. Particularly, the Jewish experience in Europe’s modern age fell under the influence of large nationalist movements catching fire and the shifting ideologies and identities that ensued, “mark[ing] Jews as outsiders” while generally problematizing assimilation, and leading ultimately to a refinement of the demands of the Zionist movement and the real use of Hebrew in Palestine as the national language of the Jews (Wright 1996: 18). The imperatives of normal social standing, thus, worked in the context of European nationalist movements to underpin the rise of a variety of Jewish nationalist movements and Zionist movements in particular that coalesced over time into the establishment of a Hebrew-speaking state in Israel.

On this note, the general Hobsbawmian thesis that “discourses of nationalism, including the prominent role assigned to a national language, encodes other, deeper concerns” (Josephs 2004: 119) is evidently at play, though the precise extent calls for determination, insofar as that the ingredient of an oppressive ruling class from which the proto-national group pursued its autonomous self-determination is more fuzzy in the case of European Jewry. While Jews in many ways were subject to the formal discrimination of ruling class of various European societies (particularly Tsarist Russia in the era of the pogroms) (Goldschmidt and Davidson 2013: 251), the notion of a non-European Jewish identity had, arguably, been around and existed in the spiritual practice of Jews, who continually prayed liturgically for a return to Zion (Wright 1996).

More specifically, in terms of the gradually-forming consensus towards Hebrew as the national language of the Jewish people over the late 19th century, we may look to Hobsawm’s specific doubts that national languages, in contrast to the mythology around them, are actually “the primordial foundations of national culture and the matrices of the national mind,” instead viewing them as more often “attempts to devise a standardized idiom out of a multiplicity of actually spoken idioms, which are downgraded to dialects” (Josephs 120). Though this is definitively the case with the revival of MSA in the “Arab World,” Hebrew had only one serious competitor as the Zionist movement developed—Yiddish, a living language. In order to solidify Hebrew as a resurrected spoken language, the informal institution of kibbutzim schools in Palestine was indispensable, as well as cultural revivals of Hebrew in Europe before the aliyot (Wright 1996). That is, as summarized by Wright (1996):

“\The attempts at language revitalization and at resettlement began independently—there were those who started to write and even speak Hebrew in Europe, and the early settlers in Palestine continued to use Yiddish for some years. But the process of revitalization took place both in the settlements where the Zionist pioneers were returning to the land as farmers and in the new Hebrew towns. There was important support for the process from ideologues and..."
enthusiasts like Eliezer Ben Yehuda, but the revitalization itself depended on those who had adopted the new identity of Hebrew farmers and townspeople in their historical Land. Their use of the revived language marked their own new identity (18).

Hebrew’s status as an “ideological construction” emanating from “nationalist intellectuals rather than of ordinary users during the period when it is initially being constructed” becomes questionable (Joseph 121). Joseph himself disagrees with the scope of this claim, though not its general validity, in that this miserly attitude towards the national language on part of the intelligentsia “ceases to be the case once it enters the educational sphere, and once education is widespread,” turning linguistic ideology in effect into “common national property” (121).

With Hebrew, though the imperative behind its pre-Israel revival took on mostly a cultural and intellectual form (in the European haskalah and among dedicated Zionists such as Ben Yehuda, for instance), the language, again, depended on informal educational institutions and class-less, economically self-sufficient local communities for its actual revival as a spoken language (18).

On the other hand, however, after the formal solidification of the Israeli state post-1948, Hebrew has been used as a political and cultural mechanism to support the class layout of Israeli society, privileging an Israeli, Hebrew-speaking identity socially and economically over Arabic-speaking ethnicities. Notably, this has extended from two different poles before Israel found itself in a position to declare itself a state: that of anti-Israel pressures in the Middle East on part of the British who, though in theory espoused pro-Zionist ideology, typically favored the Arabs in reality (the Arabs were a source of arms for the British) and appeased Palestinian demands by restricting Jewish immigration quotas (Goldschmidt and Davidson 2013: Chapter 15); and the violent, ongoing struggle for demarcating geographical and corollary linguistic boundaries for a Hebrew-speaking state (Jabareen 2005), following the British mandate that Palestine feature three official languages - Hebrew, Arabic, and English - in 1920. Following Israel’s recruiting of U.S. support after the British failed to live up to the ideals of the Balfour Declaration, Israel wasted no time in establishing linguistic institutions and codifications for the strengthening of Hebrew after 1948. Particularly, the Academy of Hebrew Language appeared in 1953 to replace the less effective Committee for the Hebrew Language, and the authoritative Ben Yehuda milon (“dictionary”) and the Ha-Milon ha-Hadash were completed in 1951 and 1959 respectively.

The ongoing struggle with the official status of Arabic is another complex matter in the vein of politically-sanctioned Hebrew hegemony, particularly after the 1967 Six-
Day War and the resultant expropriation of West Bank Arabic-speaking territories. Investigating the checkered relationship Israeli governmental educational agencies have in incorporating Arabic (and which kind of Arabic) into the Israel education system, Ali Jabareen (2005) lists the institutional and cultural factors beneath a predominant marginalization of Arabic in Israel. That is, on the whole, “Realizing the power language can play in the status of the Arab minority in Israel, the successive Israeli governments have tried to use language as a medium to tame the Arab public and extinguish their national feelings” (26). In deactivating the synergy between nationalist sentiment and national language, Israel, in that it lacks a written constitution, has acted equivocally in setting out a consistent policy towards Arabic (26). Spolsky and Shohamy also note the cultural hegemony of Hebrew and the detrimental implications for Arabic: “While Israel is historically and actually multi-lingual... the monolingual ideology used to effect the revitalization of Hebrew has led to downplaying... the rights of the autochthonous second official language, Arabic” (Spolsky and Shohamy 1999: 1). Particularly, even among Arabic-speaking Jewish immigrants, Arabic-speaking Jewish immigrants exhibited a willing repudiation of Arabic in favor of Hebrew in Israel’s formative years (Spolsky and Shohamy 147-8). Much less among those considered
“Arabs,” Hebrew as a national language has marked linguistic barriers for the purposes of state building. In analyzing the deficiencies of the “New Curriculum” orchestrated and implemented in the ‘90’s, Jabareen notes that even while the teaching of Arabic in schools and universities is sanctioned, the curriculum is designed to alienate Arabic from “any national, historical context,” so much that Arabic “is transmitted in a superficial way to express the needs of daily life, which reflects a serious contradiction between declared objectives and real practice” (39). In effect, apart from merely suppressing nationalist sentiment potentially inherent in the language, the official practice of teaching Arabic also devalues its status. Statistics on the Bagrut, an Arabic proficiency test, from 1984-94 show that 40% of Arab students who take the test fail it (40). Thus, linguistic policy in the Israeli educational system weakens the social capabilities of Arabic, leading Hebrew to be premised in higher-education contexts as well as daily life (40-41). Lastly, not only is Hebrew exalted on the everyday level, but social class has become tied with a particular, Israeli accent. Thus:

“The higher status accorded to the General Ashkenazi loss of the distinctions between quf and kaf and between het and khaf, and the way that alef, he, and ‘ayin have become zero... have led Sephardim too, as they become better integrated and more successful economically, to adopt the General Israeli accent. For native speakers of Hebrew, a markedly Sephardi pronunciation is no more a sign of lower socio-economic status than of ethnic identity (72).”

The social class implications of a dominant national language thus rise to the forefront amongst Arabic and even Hebrew itself. Apart from a marker of social class, social cohesion arises out of a common linguistic glue, premised on the often times subtle marginalization of Arabic and other Hebrew accents.

These brief examples of the history and current politics of Hebrew, as a decidedly national language, bring to life economic and social class foundations of national language. Precisely, the entire project of the Israeli nation can be traced back to a decentralized community of European Jews who, lacking any assimilation and often suffering outright violent persecutions over the course of the 19th and early 20th centuries, solidified their sense of identity by appealing to a national tongue and a specific geographical territory. The unremitting struggle with Arab states and peoples surrounding what would become Israel over the course of the early and mid-20th century has informed the nation-building tactics of Israel, focusing in some ways on bolstering the status and use of an official Hebrew over any sort of Arabic. Here, though the point might be warranting a more detailed investigation, the formation of social class and national belonging appears as moving along the tracks of language politics. Nevertheless, the Hobsawmian lens of viewing the rise of nations and national feeling as bound up with bourgeois class struggle offers a fresh perspective on the social and economic dynamics at play in the history of Israel.

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Reeling in the repercussions of a devastating war, South Korea in 1957 was one of the poorest countries in the world, with a per capita GDP comparable to Ghana. Between 1953 and 1961, the economy subsisted on international assistance, mainly in the form of US grants. With President Park Chung-hee’s rise to military dictatorship in 1962, the economy propelled forward. By 1995, Korea’s rapid growth facilitated its removal from the World Bank’s lending-list and its addition as an Organisation for Economic Cooperation and Development (OECD) country in the following year. Since 2011, Korea has surpassed the European Union average in terms of GDP. So far the only nation in the world to transition from being the recipient of development aid to becoming a donor within a generation, Korea is considered to be the model for the developing world. Moreover, the country now boasts developments in democracy and equity, which have complemented its economic growth.

Since the early 1960s, Korea has consistently developed at an impressive rate, keeping in line with the export-model initiated by President Park’s. Naturally, the first step was to catch-up to advanced countries with a method in line with an already well-established framework. Korea’s strategy involved a highly interventionist, “Renaissance State.” The regime used allocation of capital to encourage entrepreneurship and innovation. These funds were concentrated to chosen “national champion” conglomerates (jaebeols) and their respective economies of scale.

Korea’s economic model, centered on a “Renaissance State,” will continue to promote growth, thereby facilitating the aforementioned “catch-up.” However, Korea has already completed this first step, thereby joining the ranks of rich-countries. Its policies must change accordingly, and push innovation using a different model. In fact, the mechanisms that once spurred its economic success are the same ones obstructing its potential for innovation and threatening its
current growth projectile. Powerful, self-sufficient jaebols, still supported by state policies, crowd out small and medium-sized firms (SMEs). This overcrowding exacerbates prospective for Korea’s SMEs already suffering from inefficient policies and resulting in a lack of competition and incentives.

Furthermore, the robust workforce is swiftly aging while the low fertility stagnates at an extremely low rate. A disproportionately poor elderly population exacerbates daunting public spending implications of the low birth rate – 45 percent are mired in poverty. Even worse, the weak social safety net will be exceedingly problematic when, according to The Economist, “by 2050, there will be seven over 65s for every ten working-age adults.” This phenomenon is a result of low tax policies meant to promote work and foreign investments. The government’s oversight of this mounting problem is evident in its perpetual export-oriented mindset. Although export-oriented jaebol giants drive the economy, Korea must break from this dependency to refocus on growing domestic disparities. Korea’s paradox lies in the urgency that, in order to sustain economic growth, it must move away from the export-centered formula that has served it so well, and revert back within its boundaries.

I. Initial Growth – Financed by Domestic Capital under President Park’s Authoritarian Regime

From its infancy, Korea enjoyed rapid growth, partly due to vast international assistance mainly in the form of US grants. These grants paved way for subsequent growth that was sustained and accelerated by President Park’s ambitious catch-up agenda in the 1960s. The divergent economic paths of North and South Korea, after their separation into radically different political and economic entities, testify to Park’s causal role in the South’s prosperity. The difference in growth in comparison to the preceding leadership by President Sungman Rhee reinforces the causal relationship.

In eight years, Park’s policies promoted economic nationalism, thereby stamping Korea as an “export-led country” and succeeded in more than tripling Korea’s domestic savings supply. Due to the initially limited supply of South Korean capital (typical of catch-up economies in the initial stages of industrialization), it was tightly controlled by the state-owned banking system. The state’s advantageous ability to analyze both positive externalities and the public good nature of investments was maximized by the repressed financial sector. Werlin refers to this model as “corporatism,” where the government is the “script-writer” for actors primarily in the private sector. In the mid-1970s, domestic industries, identified by the state as highly profitable, (jaebols) were awarded by the
banks with exceedingly low interest rates. This approach allowed successful investment into heavy industry, including chemicals and manufacturing. These two sectors are still Korea's most competitive industries today.

Support from the state’s supply of “unlimited” capital allowed firms to quickly assimilate to existing technologies. This concentrated policy laid the groundwork for the high-debt jaebeol business model and their eventual monopoly of the economy. But in order for jaebeols to successfully compete in the international markets, they had to also improve upon on existing technologies. A high-debt and high-volume production strategy was chosen to maximize on the supportive high-debt financial policies of the state. Jaebeols then zeroed in on single products using economies of scale to boost competitiveness. As Wade articulates, “by mass-producing a less diversified product, they succeeded in taking advantage of the economies of scale in dealing with large volume orders and devoting resources to the technological improvement of single products.” Between 1983 and 1986, buttressed by the state’s financial support, the four leading jaebeols (Hyundai, Samsung, Goldstar, and Daewoo) invested more than 1.2 billion USD in the mass-production of chips. With this high-volume production strategy, the jaebeols could compete with their Japanese competitors by providing the standardized commodity product at a lower cost. The devotion of extensive resources on single products paid off. By the late 1980s, jaebeols had the capacity to innovate, developing their own products such as the 4M DRAM.

The highly supportive state-owned banking system meant that jaebeols were able to finance a high proportion of their investments with bank debts. The vast sunk costs involved in foundational research were assumed by the state. The state’s tight financial control indicates a closed capital account that buffered the highly leveraged jaebeols from systemic shocks. Furthermore, high domestic savings allowed domestic financing and evasion from prudential debt-limits of Western banks. These factors explain the ability of jaebeols to carry a large amount of debt relative to retained earnings. While this fast-tracked economic development, it also meant the economy was highly vulnerable to external shocks; especially problematic considering the jaebeols’ business model subsists on the export of a single-product.

II. Democratization and Early Economic Liberalization

With the ascension of President Kim Young-Sam, Korea solidified the political democratization process that had been taking place since the 1980s. Kim’s “New Economic Plan” (1993-1997) promoted liberalization based on a neo-liberal approach to bring the country up to par with developed economies. This was to the advantage of jaebeols, whose ambitious globalization efforts could no longer subsist on finances from the domestic market. In order to stay competitive, as the cost of technological developments increased, they needed massive investments that could only be satisfied by access to global capital.

Kim’s program ushered in a new period of greater freedoms and liberalized
financial systems, particularly in granting access to external capital accounts. Essentially, the government had completely given up its capacity to coordinate foreign private borrowing. Democratization that pushed greater autonomy from the state simultaneously increased jaebeols’ political power to freely pursue their expansionist agenda. Accordingly, foreign agents had access to Korea’s budding domestic financial market. This double transition initiated the country’s progressive accumulation of foreign liabilities, which then lead to the 1997 East Asian Crisis.

Swift liberalization proved overwhelming for Korea’s juvenile financial sector, only just emancipated from the tight grip of state control and without the support of complementary safeguards in bank regulation and supervision. The expected challenges of facing the international financial market as a nascent entity were compounded by sharp increases in inflows and outflows by non-conventional actors (non-bank jaebeols borrowing abroad) and the jaebeols’ high debt-to-equity model, which was exceedingly dependent on bank-based financing. President Kim’s financial system was completely undermined by a new order that the embryonic institutions of Korea (and the rest of Asia) did not have the capacity to manage.

The spike in inflows was partly energized by Korea’s currency exchange rate pegged to the US dollar. Although the government made no guarantees about the stability of the exchange rate, its long-standing constancy signaled permanence to eager foreign markets. Due to external economic crises, the Japanese and European central banks held large volumes of capital. Looking to stimulate their domestic economies and to disseminate their abundant capital, both lent liberally to Korean banks and firms.

The new foreign capital finally indulged the jaebeols’ insatiable investments beyond domestic saving capacity. Their globalist model thrived, accelerating foreign inflows. Existing risks of moral hazard and adverse selection as state protectorates were exacerbated by their renewed “too-big-to-fail” mentality. The immature financial institutions also lacked the capacity to restrain and balance excessive risk-taking ventures. The banks’ acceptance of bad loans from jaebeols jeopardized their own viability. Thus they implicitly relied on the government to bail them out. They were also naively confident of their USD-pegged won currency. At its crest in mid-1997, short-term foreign borrowing constituted 67 percent of all foreign debt, 300 percent of foreign reserves, and the top 10 jaebeols’ debt-to-equity ratio escalated to 622 percent.

The hike in inflows under the fixed currency regime meant an upward pressure on the rate and consequent appreciation of the Korean won. As a result, the jaebeols lost competitiveness in semiconductors – Korea’s biggest single export item. Trade of other major export goods involving heavy industry also fell in the same period. The following decrease in IT exports was especially detrimental to the “export-led” ideal, driving up deficits and finally ensuring the deterioration of the current account balance.

The excessive risks taken by the jaebeols ultimately ended in grave consequences. The thin profit margins did not allow the highly vulnerable jaebeols to adjust to the trade shocks. In early 1997, five
of the 30 top jaebeols went bankrupt and an average 1,431 promissory notes defaulted each month. Their defaults were especially detrimental to the unsupervised non-bank financial industry financing jaebeols’ loans. Asymmetric information problems increased as the Korean stock market index began its descent. Financial panic spread from Thailand to Japan. Soon after, European, Japanese, and US bankers demanded immediate full repayments of short-term loans. South Korea’s level of foreign exchange reserves proved insufficient. The foreign creditor’s run to collect, followed by a downgrading of Korea’s sovereign credit rating, resulted in their exit from the Korean market. All these factors drove the drastic depreciation of the Korean won and led to a full-blown crisis. South Korea inevitably turned to the IMF for a rescue package in December 1997. By 1998, real GDP shrunk by 5.8 percent rate and unemployment peaked at 8.1 percent.

III. Post-1997 Reforms: Improving Fundamentals and Financial Supervision

Kim Dae-Jung’s new administration in 1998 pushed through two major policy reforms, instrumental to dispelling asymmetric information and stabilizing South Korea’s financial system. Hahm and Mishkin point out an evolvement with prudential supervision and changes in monetary policy strategy.

Various state policies contributed to the increased supervision of the financial sector, in addition to a general message conveying government authority and prudence over reckless, pre-protectorate jaebeols. Breaking the “too-big-to-fail” mentality by allowing the bankruptcy of top jaebeols relayed the first clear message. The surviving jaebeols were pressured to restructure and reduce debt-to-equity ratios. The reversal of previously restrictive foreign direct investment (FDI) policy allowed foreigners and foreign banks access to purchase bankrupt domestic banks. Not only did foreign banking limit exposure to risk due to their diversified nature, they also brought expertise in risk management practices. The stock market also opened up to foreign agents, and according to SERI, the ratio of stock owned by foreigners increased from 12.3 percent in 1997 to 21.9 percent in 1999 and 40.1 percent by the end of 2003.

Although the dollar-pegged exchange rate regime was released, confidence was restored in prioritizing price stability through an inflation-targeting regime in the Bank of Korea Act, and the assurance of transparent, independent policy making. The independence of the central bank from the political sphere was established. The inflation-targeting regime replaced the currency peg as an explicit nominal anchor. Similar to the previous exchange-rate peg, the institutional commitment to meeting targets communicated transparency and increased accountability to both the public and the markets. Korea’s ability to cap inflation to stable rates of 2 to 3 percent by 1999 has been praised as effective monetary policy. The success and progress of Korean authorities in monitoring financial institutions and following prudent policies is most evident in reflecting on South Korea’s impressive resiliency in the 2008 global financial crisis.
IV. Pressing Financial and Fiscal Reforms

With 304 billion USD, Korea claims the seventh-largest holdings of foreign reserves in the world. South Korea also boasts world-leading jaebeols whose annual revenues equal the country’s GDP. The growing momentum of confidence in its economic prospects has led to large portfolio inflows, boosting equity prices. The external foreign short-term debt ratio has been consistently maintained at around 30 percent. The fiscal policy consolidation is humming along, and efforts to reduce the budget deficit have produced substantial results. In line with Korean development, the commercial banking system is sound with a capital adequacy ratio of 14.3 percent. Nonperforming loan ratio stands at an impressively low level of 1.3 percent.

The currently sound economic fundamentals disguise the perpetuation of the Korean economy’s greatest vice: jaebeols. The government continues to give leverage to the jaebeols, most overt in the allocation of its ambitious research and development (R&D) expenditures. The state’s growing R&D expenditures are concentrated in the IT sector, which feeds into the mouths of top jaebeols. Already profitable with capabilities to invest in independent R&D expenditures, jaebeols continue to receive R&D subsidies from the public. The convergence of bureaucratic and corporate interests, an archetypal result of state intervention, perpetuates the jaebeols’ disproportionate influence. The government, whose interventionist policies were once successful in enhancing growth by choosing “national champions,” is now captive to its own policies. These policies have nurtured and catapulted jaebeols to great heights and have maximized their capabilities by locking the system in an inertia protecting their interests.

The economic monopoly held by jaebeols has vast consequences. As an advanced economy, competitiveness in the global market is dependent on ample innovation. Jaebeols disproportionately lack human capital, only employing 10 percent of the total workforce. Given that innovation is grounded in human capital, this is disconcerting. Further cause for alarm, the small and medium enterprises (SMEs) that dominate the services sector and employ 6.6 million people face a growing productivity gap against jaebeols. “Value added per worker in small firms is less than half that in large ones. SMEs’ operating profits were 4.5% of sales in 2007, compared with about 7% for large firms.” This has been a prolonged, exacerbating trend as the performance of Korean SMEs continues to deteriorate.

Weak SMEs has resulted in an underdeveloped services sector. According to the Global Entrepreneurship Monitor, opportunity for entrepreneurship is perceived by Koreans to be the lowest (after Japan). Those individuals who do choose the harrowing path of South Korean entrepreneurship must compete with jaebeols. In effect, jaebeols have effectively crowded out small start-ups and entrepreneurial innovation.

As the state subsidies continue for jaebeol-dominated sectors, the question of the increased risks in adverse selection returns. Its excessive investment in HCIs while neglecting the rising high-tech industries serves as a prime example.
Although jaebeols take credit for spearheading Korea’s economic growth with their export focus and strong revenues, the SME-dominated services sector employs 70 percent of the total workforce and accounts for 51 percent of GDP. The deepening productivity gap testifies to neglect by government initiatives and funding that has been absorbed by omnipresent jaebeols. As of 2011, the Korea Institute of Design Promotion (KIDP) still does not offer design support to the continuously growing private service industry, while jaebeol-dominated sectors have been receiving such support since the 1980s.

Increased risk of moral hazard naturally follows adverse selection. The notorious corruption in jaebeols has reached such levels that its crippling effect on the KOSPI 200 has been nicknamed the “Korean discount.” Price-fixing is rampant, with over 3,500 cases of price-fixing detected in 2010 (only 66 faced fines). Both Samsung and LG have been caught for price-fixing three times in the past two years. Tongyang Securities, a broker, has pinpointed routine practices of “tunneling” and “propping” as perpetrating KOSPI’s low price-to-earnings ratio. The successes of these methods expose poor corporate governance allowing family-run jaebeols to maintain their tight grip over the economy. It was this same lack of supervision that left vulnerabilities that were detrimental in South Korea’s 1997 economic crisis.

The fatal consequences of neglecting the ballooning older population (especially in relation to the shrinking general population) will be felt as they begin to receive social services. Necessary fiscal expansion needs to compensate for the aging population, but once again, the trade priorities of jaebeols seem to dominate. Total tax rates have been stagnant around 22 percent since 2007. To the jaebeols’ benefit, the low rate is meant to increase work and foreign investment. In return, the social safety net has been compromised.

Once embryonic and highly dependent on the South Korean government, jaebeols have flourished into worldwide institutions, leading the world in IT and HCI. With their exceptional rise, they lifted up a war-ravaged, destitute citizenry to catch-up and to join the ranks of rich nations. However, they must not forget it was the government, by the efficient allocation of public funds, who revived and sustained that prosperity. In order for South Korea to continue its current trajectory of economic prosperity, it must detach itself from the formula that served it so well in the past. The symbiotic relationship between the jaebeols and state authorities must be severed. The “Renaissance State” must return, restoring equity with effective regulations and enacting policy reforms to blaze new trails for dynamic, domestic innovation.

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