

# Where Do Tigers Sleep at Night? The State's Role in Housing Policy in South Korea and Singapore\*

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**Abstract:** A statist perspective holds that the autonomous state has enabled East Asian NICs, notably South Korea, Singapore, Taiwan, and Hong Kong, to achieve economic success. I challenge this perspective by showing that sociopolitical relations between the state and other social actors have deeply affected state actions in housing development in South Korea and Singapore. I demonstrate that the state role in housing is influenced by the nature of the political coalition the state has established with other social groups to promote economic growth. In South Korea, an exclusive developmental coalition between the state and large capitalists forced the state to minimize its role in housing provision and severely reduced state autonomy in controlling real estate speculation. In contrast, the state in Singapore has been proactive in providing public housing and controlling landownership on the basis of a balanced relation between growth and populist coalitions. This study suggests that the state role in national development needs to be understood in the context of political processes among social actors, such as political coalitions between the state and other social actors. The state can succeed in fostering social development only by establishing the proper political relations among social actors, such as the state, capital, and labor.

**Key words:** housing policy, state, social development, political coalition, East Asian NICs, South Korea, Singapore.

East Asian newly industrialized countries (NICs) such as South Korea, Taiwan, Hong Kong, and Singapore became known as development "tigers" by virtue of their rapid economic growth, which prompted new theoretical and policy perspectives on development. Statism, emphasizing the autonomous role of the state in economic growth, has become a dominant theoretical perspective on East Asian development. Statist arguments are limited because they focus on one side of development, economic growth, and tend to overgeneralize state autonomy. The issue of

*social development* has rarely been considered in East Asia.<sup>1</sup>

This paper provides a new perspective on East Asian development by analyzing the state role in housing policy in South Korea and Singapore. Housing is one of the most important aspects of social development; it is not just a matter of shelter and space, but also affects access to other material and social resources (Dickens et al. 1985). In most cases, it can influence con-

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<sup>1</sup> By social development I refer to the improvement of the social system regarding reproduction. Reproduction involves the maintenance of the labor force through provision of basic needs and through broader processes of social reproduction (Klak and Lawson 1990). In this regard, social development is related to the improvement of social welfare and public services, such as housing, education, public health, transportation and the like.

sumption patterns and household incomes, affecting what people can do and who they can become. For these reasons, most states in advanced capitalist countries have actively intervened in housing provision (Ball, Harloe, and Martens 1988), although the degree and mode of state intervention vary according to sociopolitical conditions. Analysis of housing policies offers insight into the state role in social development.

An important theoretical debate concerning economic growth in East Asian NICs has been about how to evaluate the role of the state.<sup>2</sup> Statist scholars contend that the state in the East Asian NICs is able to implement and enforce economic policies for long-term national development beyond the short-term private interests of social interest groups because rational and competent bureaucrats are insulated from political pressures. I maintain that the focus on economic growth and inattention to the nation-specific relationships between state and society are problematic. The statist approach presumes that economic growth guarantees social development and that the East Asian NICs have achieved in common a substantial degree of social development. The East Asian tigers are not identical, however; rather, they vary by level of social development and extent and mode of state involvement in social development. The people in Singapore, for example, enjoy well-developed public housing programs and other effective housing policies. In contrast, South Koreans have suffered from chronic

housing shortages and skyrocketing housing prices owing to an inactive state role in housing development.

Statist arguments have overemphasized state autonomy, paying little attention to nation-specific relationships between state and society. The statist approach, based on a Weberian concept of the state, views a strong and autonomous state as an outcome of the state bureaucracy's rationality and manipulative power, without considering its social origin. Thus, statism cannot sufficiently explain differences in the *mode* of state intervention among the East Asian NICs.

I argue that the state role in social development is deeply influenced by place-specific relations between the state and social groups. I compare Singapore with South Korea, explaining the role of the state in housing with reference to differences in the coalitional base of society.

### Political Coalitions and the State Role in Housing Development

Observers have explained state trade and industrialization strategies as the outcome of political relations between the state and social groups (Kaufman 1990; Cheng 1990; Kang 1995; Doner 1992; Douglass 1994). For example, in explaining why Latin American countries adopted an import substitution industrialization (ISI) strategy, Kaufman (1990) focused on political coalitions among four sets of actors: the agricultural-mercantile groups, "anti-oligarchical" coalitions, state elites, and industrial capitalists. Similarly, Cheng (1990) compared the industrialization strategies of the command-oriented South Korean state and the incentive-oriented Taiwanese state. In South Korea, he observed an alliance between the military regime and large businesses; in Taiwan, he observed a loose developmental coalition consisting of technocrats and local and foreign capital.

The state role in *housing* development also needs to be understood in the context

<sup>2</sup> Neoclassical economists have argued that East Asian economic success is due to the existence of freer markets and less state intervention than in other developing countries (Balassa 1981; Chen 1979; Aikman 1986; Fei 1983). In contrast, many scholars have emphasized the active role of the state, which guides, disciplines, and coordinates the private sector through the strategic allocation of resources and the use of diverse policy instruments (Evans 1995; Wade 1990; Amsden 1989; Henderson and Appelbaum 1992; Jenkins 1991; Moon and Prasad 1994).

of place-specific political relations among social actors. Marxists have perceived state intervention as critical to housing development in order to ensure the reproduction of capitalist social relations and capital accumulation (e.g., Castells 1977). The Marxist explanation of state intervention in housing provision is problematic, however, because the state's policies for housing development are contingent on the relations between the state and social actors. Here a realist understanding of the relation between necessity and contingency is valuable. In the realist sense, the necessity of state intervention in housing provision needs to be understood as a *potential* liability of the capitalist state. Whether and how the capitalist state *actually* intervenes in housing affairs is a contingent matter. In this regard, Dickens et al. (1985) argued that housing studies need to trace the contingent links made by housing provision among the economy, civil society, and the state. Ball and his colleagues (Ball, Harloe, and Martens 1988; Ball and Harloe 1992) argued that the mode of state intervention in housing provision is deeply affected and limited by social agents involved in housing provision and the ways in which they are linked to each other in a specific sociopolitical context. In explaining why progressive housing programs in Latin America increased housing inequalities, Klak (1993) examined the interests and motives of state housing agents with reference to the structural contexts of dependent capitalism and the place-specific institutional contexts of state housing agents.

Unlike Europe, North America, and Latin America, which have been the focus of most previous housing studies, the state in the East Asian tigers typically places considerable weight on economic development in policymaking processes. Accordingly, the state's projects for national economic growth and the associated political processes influence the state's role in housing development.

Castells, Goh, and Kwok (1990) saw a positive interaction between the role of the state in housing and urban development

and the processes of production and capital accumulation in housing programs in Hong Kong and Singapore. In both countries, state intervention in housing decisively contributed to economic growth by lowering housing and labor costs. Castells's analysis is limited, however, by his statist orientation. Specifically, it lacks explanatory power for the *sociopolitical base* of successful state intervention in housing in Singapore and Hong Kong and for the lack of similar highly developed public housing programs in other East Asian NICs, such as South Korea and Taiwan, and many other Third World countries. This paper addresses this question based on the analysis of housing in South Korea and Singapore.

## **Background: Housing Conditions and the State Role in Housing Development**

### **Housing Conditions**

Housing conditions are worse in South Korea than in Singapore. In South Korea, land and housing speculation has caused high land prices and housing costs and a chronic housing shortage. This impedes a more equal distribution of wealth and threatens social stability. In Singapore, the government has provided abundant public housing and has rigidly controlled landownership to minimize land speculation. As a result, 85 percent of Singapore's population lives in public housing at affordable prices. As indicated in Table 1, housing in Singapore has been supplied to almost all households since 1986; the housing stock in 1989 actually exceeded the number of households. In South Korea, in contrast, housing has been supplied to less than 70 percent of households, and the housing shortage has become increasingly severe over time.

Housing costs have increased more rapidly in South Korea than in Singapore (Table 2). According to the Federation of Korean Trade Unions, the share of housing

**Table 1****Trends in Housing Supply, 1980–1992**

Year	South Korea			Singapore		
	Housing Stock <sup>a</sup> (A)	Households <sup>a</sup> (B)	Housing Supply Ratio (A/B)	Housing Stock <sup>a</sup> (A)	Households <sup>a</sup> (B)	Housing Supply Ratio (A/B)
1980	5,463	7,981	68.45%	373	510	73.14%
1983	5,820	8,453	68.85%	430	568	75.70%
1986	6,423	10,193	63.01%	585	612	95.59%
1989	7,000	11,526	60.73%	671	652	102.91%
1992	7,882	12,994	60.66%	758	771	98.31%

Source: Euromonitor (1995); compiled by author.

<sup>a</sup> In thousands.

**Table 2****Index of Consumer Prices, 1982, 1986, 1990**

	South Korea			Singapore		
	1982	1986	1990	1982	1986	1990
All items	130	145	184	112	116	125
Food	131	143	191	115	114	118
Fuel	146	149	147	105	86	77
Clothing	124	131	182	102	97	103
Rent	121	163	209	106	109	111

Source: UN (1992).

Note: The Index of Consumer Prices is based on 1980 = 100.

costs as a proportion of total family expenditure in South Korea increased from 15.2 percent in 1978 to 29.9 percent in 1988 (MMUY 1990, 50, 51). In Singapore, flats are heavily subsidized to ensure public housing for low-income earners, and the monthly rental increased by only about 30 percent from 1966 to 1975 (Castells, Goh, and Kwok 1990, 278).

The differences in the increased rate of housing costs is closely related to the difference in the nature of landownership and real estate speculation. In South Korea, only 5 percent of the total population owns 65.2 percent of the privately owned land, which accounts for 73.7 percent of total land (MMUY 1990, 56). In addition to this concentration of landownership, real estate speculation has fueled the rapid increase of land and housing costs. In South Korea,

from 1975 to 1988, consumer prices increased by 350 percent, land prices increased by 840 percent, and housing prices increased by 470 percent (Kim and Lee 1989, 15). By comparison, the government in Singapore holds about 75 percent of all land (Lim 1983, 755). Furthermore, a stringent policy of compulsory land acquisition has limited speculation in real estate and has kept housing costs low (Castells, Goh, and Kwok 1990, 267).

### **The State Role in Housing Development**

The Korean state has played a less active role in housing development than the Singapore state. Table 3 shows the number of public housing units in South Korea and Singapore.<sup>3</sup> In South Korea, even though

Table 3

Number of Housing Units Completed by the Public Sector, 1967–1981

Year	South Korea			Singapore		
	Public (A)	Total (B)	% of Total (A/B)	Public (A)	Total (B)	% of Total (A/B)
1967–71	69,613	540,338	12.88	70,117	81,731	85.79
1972–76	228,766	760,591	30.08	135,368	145,993	92.72
1977–81	495,378	1,116,074	44.39	121,312	131,370	92.34

Source: Castells, Goh, and Kwok (1990, 253); MMUY (1990, 214); compiled by author.

the share of publicly provided housing has increased, less than 50 percent of housing units have been provided by the public sector. In Singapore, by contrast, the public sector has provided more than 90 percent of housing units since 1972. Today, the Singapore state operates the largest public housing program among all of the urban systems in the capitalist world in terms of the proportion of the population living in public housing. By 1986, 85 percent of the population of Singapore lived in public housing (Castells, Goh, and Kwok 1990, 222). In contrast, the Korean government has tried to minimize its role in housing provision, instead entrusting the housing supply to the private sector.

Although the public housing programs in both countries were intended to provide affordable housing to low-income families, the distributional consequences differ considerably between the two countries. In South Korea, the public sector has concentrated on new housing for sale rather than for rent. Since the start of mass production of new housing in 1972, the public sector has provided little rental housing; furthermore, most rental flats were meant to be sold after an initial one- or five-year lease period (Yoon 1994). As a result, there was no substantial improvement in affordable rental flats. In Singapore, the state focused on providing rental flats in the early years of public housing development. The

Singapore government allowed residents to purchase the public housing units only after the acute housing shortage had been relieved (Ching and Tyabji 1991).

Not surprisingly, government expenditure on the housing sector in South Korea and Singapore is strikingly different. Figure 1 shows government expenditures on housing and community amenities in 14 developed and developing countries in 1986 as a percentage of total expenditure. Whereas the Singapore government spent 14.32 percent of total expenditure on housing, the Korean government spent only 0.86 percent. As Singapore is a small city-state, it may be understandable that its government spends a larger portion of its entire expenditure on housing or other urban sectors than does the Korean government. Nevertheless, the difference between the two countries is extreme.

### Political Coalitions and Housing Policies in South Korea and Singapore

#### South Korea

**The Exclusive Growth Alliance between the State and Large Businesses.** Since the 1960s, Korean industrialization has been led by an exclusive growth alliance between the state and large businesses (*chaebols*). After the military takeover in 1961, the military regime tried to establish its political legitimacy and consolidate its power by delivering economic growth. To promote economic

<sup>3</sup> Here public housing includes all housing units provided by the state or its agencies, whether they are rental or owner-occupied.

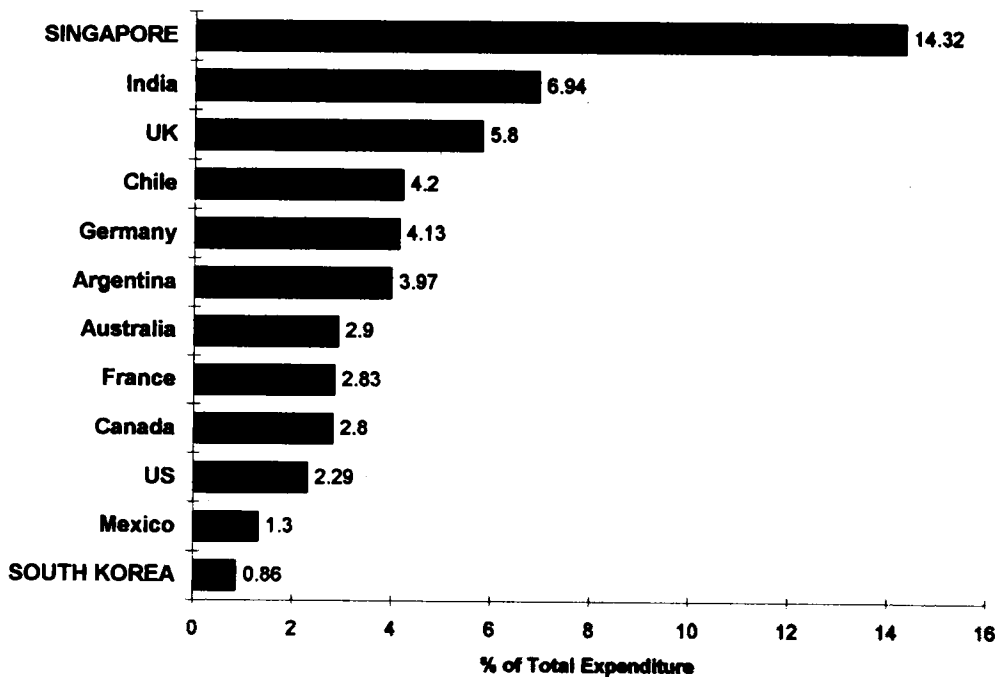


Figure 1. Government expenditure on the housing sector, selected countries, 1986.

Source: IMF (1991).

growth, the military regime established a growth alliance with selected large capitalists.

Following liberation from Japan in 1945 until the late 1950s, some Korean capitalists had accumulated substantial amounts of capital on the basis of the preferential distribution of Japanese-owned properties and U.S. financial aid (Son 1991b, 179). At the same time, the landowning class lost its economic and political power when the government confiscated large landholdings and resold them to smaller farmers (Jenkins 1991; Son 1991b). The South Korean military regime believed that the quickest and most reliable way to promote economic growth was by collaborating with existing large capitalists (Koo and Kim 1992, 125). With this collaboration, the state launched its export-oriented industrialization (EOI) policies.

The relationship between the South Korean state and large capitalists is one of give-and-take. The military regime pro-

vides various financial and institutional supports to the large capitalists, such as the preferential distribution of foreign loans and investment licenses and low-interest domestic and foreign loans. In return, the capitalists follow the government's direction and play a leading role in manufacturing and exporting. In the late 1960s and early 1970s, however, the growth alliance faced a crisis of EOI owing to overinvestment and international market changes. The economic decline aggravated living conditions, increased popular discontent, and caused political instability. To overcome this crisis, the military regime installed the Korean version of the bureaucratic-authoritarian regime (*Yushin*) in 1972, which imposed severe restrictions on the political activities of the popular sector, especially the labor movement. At the same time, to diffuse political discontent and mobilize people's energy for a new economic goal, it launched the Heavy and Chemical Industrialization Plan in 1973,

which concentrated economic power in the hands of the large capitalists and intensified the state-*chaebols* alliance. The agreement was that the *chaebols* were to deliver economic improvement and the state was to provide all the necessary conditions for capital accumulation. Over time, however, the state became increasingly dependent on the economic performance of large businesses, resulting in a preferential concentration of economic resources in the hands of a few large businesses. Some social groups, such as farmers, small and medium-sized enterprises, and workers were excluded from the growth alliance (Cheng 1990; Kim 1991; Deyo 1987).

**Ineffective State Role in Housing Provision.** In the 1960s, the growth-oriented focus of the state signified a negligible role by the state in housing. Most housing units were provided by small landowners and small developers. In the late 1960s, housing problems worsened because the urban population and housing demand increased substantially as a result of rapid industrialization. The number of urban households increased by more than a million, from 1,253,000 in 1960 to 2,525,000 in 1970, but urban housing stock increased by only 600,000, from 825,000 in 1960 to 1,398,000 in 1970 (Yoon 1994).

The Korean state began to intervene in the provision of housing in the 1970s. The intensified growth alliance between the state and *chaebols* in the *Yushin* era was based on political repression of the popular sector; the state rigidly restricted the labor movement and all political activities. At the same time, it needed to appease the dissatisfied urban population by improving their living conditions. Accordingly, the state tried to expand housing supply through two initiatives: first, expanding the role of the public sector by establishing the Korea National Housing Corporation (KNHC) to develop housing, especially for low-income households; and second, supporting private house builders (Yoon 1994). These policies have been unsuccessful, however, because the growth alliance between the state and

*chaebols* has limited the state's financial and institutional support for housing development. The state-*chaebols* alliance tends to channel government expenditure to the manufacturing sector, where most of the *chaebols'* economic activity is concentrated. Thus, funds for investment in housing development have been limited. In this context, both public and private sectors have focused on providing for-profit housing, so that housing for the poor, which is unprofitable, has been neglected.

The number of public sector housing units in South Korea has increased through the efforts of KNHC; as shown in Table 3, the share of housing completed by the public sector increased from 12.9 percent in the 1967–71 period to 44.4 percent in the 1977–81 period. Because the KNHC has suffered from a lack of funds, it has not been able to contribute substantially to solving the housing problem. The principle of recovering the expenses incurred in house building, rather than the principle of affordability, has determined the price of KNHC housing. Accordingly, KNHC housing has not been significantly cheaper than private housing. Also, the KNHC has concentrated its business on new housing for sale rather than for rent. The only way to produce more housing units with insufficient government funding has been to sell owner-occupied housing that could provide profits to produce more new housing. In this regard, it is difficult to see the KNHC as a public agency because it behaves like for-profit private house builders (Yoon 1994).

Given the limited role of the public sector in housing provision, the Korean government supported private house builders to increase the housing supply. In 1977 the government reorganized the private house-building industry through the introduction of the designation system, which gives selective support to large house builders, many of whom belonged to *chaebols*. For example, in 1990, 31 firms among 117 designated house builders were subsidiaries of *chaebols* (Yoon 1994, 82), which is not surprising given the state-*chaebols* alliance.

However, even the private house builders could not provide a satisfactory level of housing supply because they sought short-term profit rather than adequate housing. Most housing units that they provided were large so that they could gain more profit; consequently, even middle-income families could not afford these houses. The average housing unit constructed between 1982 and 1986 was 88.26 square meters, bigger than the Taiwan average (33.7 square meters), the Singapore average (64.79 square meters), and even the United Kingdom average (85.6 square meters) (MMUY 1990, 42).

Furthermore, the housing finance system in South Korea, which might help low-income families purchase housing, is not well developed. The ratio of outstanding housing loans to Korea's gross national product (GNP) in 1989 was 8.0 percent, less than one-third of the comparable figure in Japan (27.2 percent) and one-sixth of that for the United States in 1987 (48.6 percent) (Kim 1990, 250). Moreover, the housing loans that are granted are insufficient to pay housing prices, the average loan in 1988 accounting for just 22.8 percent of housing prices (KRIHS 1990, 89). As a result, only a small portion of households has utilized the housing finance system to purchase housing.

**The State-*Chaebols* Alliance and Real Estate Speculation.** In the 1960s and 1970s, various large development projects for constructing the physical infrastructure necessary for industrialization led to upwardly spiraling land prices. In particular, the Heavy and Chemical Industrialization program sparked a real estate speculation boom. In the 1970s, the Korean government launched various big construction projects, which caused a real estate speculation boom and accordingly the skyrocketing increase in land prices; for example, in 1978 alone the average land price increased by 49 percent (MMUY 1990, 73).

Real estate speculation has been closely associated with the state-*chaebols* alliance, which was based on the preferential distri-

bution of bank credits and foreign loans. With the substantial amount of money allocated to them, large capitalists have bought real estate. Because land prices rose more rapidly than inflation rates and because real estate was accepted as collateral for bank loans, real estate investment has been profitable (Koo and Kim 1992, 130). This process has been self-perpetuating; that is, the large capitalists were allocated bank loans, and subsequently they invested the money from the loans into the real estate sector, thereby permitting them to borrow more money from banks using real estate as security. Through this process, the price of real estate has risen above the market level, and real estate investment became an essential part of wealth accumulation, intensifying the monopoly of capital and real estate.

**The Limits of State Autonomy in Housing Development.** Specific political developments have influenced the state's role in housing development. In the late 1970s, massive investment in heavy machinery and chemical industries resulted in severe overcapacity and a financial crisis for many large firms (Koo and Kim 1992). In addition, the continuous political pressure on popular political activities during the *Yushin* regime caused increasing labor unrest and political protest, splitting the ruling group internally. After President Park was assassinated by his subordinates on 26 October 1979, the Chun military regime took political power through violent repression of the people. In May 1980, for example, the military forces massacred hundreds of civilians in Kwangju, the central city of southwestern Korea, to put down a popular political protest.

Although the Chun regime continued to maintain the state-*chaebols* growth alliance, in the mid-1980s popular protest and resistance became more violent, and in 1987 civil and labor movements exploded. Despite these popular protests, Roh Tae Woo, the presidential candidate of the ruling party, came to power in the 1987 pres-



idential election, the first direct presidential election in 16 years. The new regime then had to appease popular discontent because of the growing political power of excluded groups from the exclusive growth coalition.

In the late 1980s, housing conditions worsened as a result of the real estate speculation boom. Land prices increased by 14.7 percent in 1987, 27.5 percent in 1988, and 32 percent in 1989, and housing prices increased by 16.0 percent in 1988 and 14.6 percent in 1989 (MMUY 1990). Skyrocketing land and housing costs caused severe social and economic problems. Renters suffered from the rapid increase in housing costs; reportedly, 15 low-income renters committed suicide from February to April in 1990 because skyrocketing rents drove them to despair (MMUY 1990, 45). These events were an important political issue at the time and increased political instability. Furthermore, overheated real estate speculation impeded national economic development because businesses invested more money in land and buildings than in production because of the higher profits from real estate. In 1988, the total amount of land rent in South Korea was about U.S. \$265 billion, which was 5.3 times more than the gross domestic product (GDP) of the manufacturing sector, 4.2 times more than total domestic wages, and 1.7 times more than GNP (Son 1991a). Under these conditions, the *chaebols* invested much more money in the real estate sector than the industrial sector. In the first half of 1988, the 30 largest *chaebols* invested U.S. \$911 million in the real estate sector, as compared to U.S. \$730 million in the industrial sector (MMUY 1990).

Since 1987 it has been impossible for the government to manage the political and economic crisis through the same repressive measures it had used previously. Instead, the Rho regime implemented two housing reforms. First, in 1990 the government implemented land reform through the "Public Concept of Land Act" to reduce the real estate speculation. This

policy set acreage limits on ownership, enforced a "development fee," and imposed heavy land taxes (MMUY 1990). Initially, this policy seemed to be a radical solution, and the Korean state appeared relatively autonomous from the *chaebols*, the major landowners and speculators.

Second, in 1988 the Rho regime announced the ambitious "Two Million Housing Units Construction Plan" to solve the chronic housing shortage. In this plan, the government promised to build 2 million housing units in four years and to increase the role of the public sector in providing housing. More impressively, the government planned the construction of 600,000 public housing rental units for previously ignored low-income households. In the new plan, among 600,000 rental units, 250,000 flats were designated as "permanent rental housing" units, which were to be rented to the poor as long as they needed it.

These reforms did not, however, substantially alleviate housing problems because the state amended the actual contents of the policies later to preserve the state-*chaebols* alliance. When land reform was first announced, the large capitalists did not object because of the anti-*chaebol* mood at the time, but they lobbied quietly to weaken the policy. Their lobbying was successful because the regime was based on *chaebols'* support. Many political leaders, who were also major landholders and speculators, shared the material interests of the *chaebols*. Thus when the act was passed, its content was changed and its capacity to regulate real estate speculation was diluted (Son 1991a).<sup>4</sup>

<sup>4</sup> The first version of the act, which was submitted to the National Congress by the government, specified that people who owned land beyond the upper limit were not allowed to buy more land and had to sell the surplus land in two years. The government would also charge a development fee equal to 70% of the rent which was increased by development projects. Just before the act was passed by the National

The actual contribution of the "Two Million Housing Units Construction Plan" to the improvement of the housing situation was minimal because even the supply of 2 million housing units was insufficient to solve the chronic housing shortage. Furthermore, as the rate of increase in land and housing prices declined in the early 1990s, thereby relieving social tension, the government amended its original plan and reduced the number of public rental housing units from 600,000 to 450,000. In particular, the number of "permanent rental housing" units was reduced from 250,000 to 190,000 in 1991 (KCCER 1995). Since then, the additional construction of "permanent rental housing" has been minimized.

The government has reduced its financial support to social development, including housing, since Kim Young Sam was elected as the first civilian president in 1993. This is related to three changes in sociopolitical conditions of South Korea in the early 1990s. First, relative to the previous military regime, the civilian government is much more confident in terms of political legitimation. Even though the previous president, Rho Tae Woo, was also elected, he faced continuous popular political resistance because as a former general he had been responsible for the 1980 military coup and bloody repression in Kwangju. Because the new civilian government faces less political resistance, it can more readily reduce its social welfare responsibilities. Second, the civilian government is oriented to a neoliberal political ideology. It has maintained the growth alliance with the *chaebols*, but it has been much less interventionist than the previous regimes, accepting neoliberal economic

and social policies. Third, as the national economy has stagnated since the late 1980s, political discourses have been dominated by national economic concerns rather than by social development. Consequently, the government has reduced its role in housing development, especially reducing financial expenditure on the housing sector. The proportion of government expenditure on housing decreased from 2.3 percent in 1989 to 0.6 percent in 1995; since 1993, government expenditure on public housing has decreased by over 10 percent annually. Finally, the government stopped supporting the construction of public housing rental units in 1994 (Kim 1996).

**Summary.** The narrow growth alliance between the state and large capitalists has seriously limited the role of the Korean state in providing public housing and controlling real estate speculation. Under the state-*chaebols* alliance, the state has given investment priority to the manufacturing sector and minimized distributive investment, such as investment in housing. Lack of financial support for the housing sector has made attempts to increase housing supply ineffective in South Korea. In addition, as the *chaebols* became the major landowning group, the capacity of the state to regulate real estate speculation was limited by the *chaebols'* interests.

## Singapore

**Coexistence of the Growth and Populist Alliances.** The development of Singapore has been based on both a growth and a populist alliance. After building an independent nation, the People's Action Party (PAP), the ruling party of Singapore, formed two different overlapping political coalitions: first, a populist alliance with the popular sector, including both the middle and the working classes; and second, a growth alliance with foreign capital.

When the people of Singapore tried to build an independent nation, PAP initiated

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Congress, however, the ban on land purchases beyond the upper limit and the policy of mandatory sale of surplus land were deleted. In addition, the rate of development fee was lowered from 70% to 50%. Many other policies that were important in controlling real estate speculation were also deleted or changed, thereby reducing the strength of the act.

a populist alliance with the strong popular sector. The Singapore state emerged as the outcome of a popular and militant anticolonialist movement, which was led by an alliance of middle-class professionals and labor-movement activists. Historically, the labor movement in Singapore had been broadly based and militant (Hamilton 1983) and led by communists or socialists. When the PAP was founded in 1954 by a group around Lee Kuan Yew, who was middle class, English-educated, and non-communist, the most powerful force for independence was the socialist, organized labor movement. In order to get labor's support, PAP leaders, who lacked a sufficient constituency, allied themselves with communists or socialists. Thus, PAP was, at least in its origin, a left-wing party and a self-proclaimed socialist group (Castells, Goh, and Kwok 1990). PAP developed its mass base in the trade unions and Chinese schools and was able to achieve victory in the self-rule election in 1959 on the basis of this alliance. After its electoral victory in 1959, however, the alliance did not last long, because Lee and his group had no real intention of sharing power with the left. The liberal PAP leadership purged its left-wing alliance through power struggles, and it repressed organized labor. Despite the split with the left, however, PAP could not disregard the aspirations of the masses because it still lacked popular support; it had to maintain some populist policies, like reforms in housing and education, to ensure its political legitimacy (Rodan 1989; Gamer 1972).

The alliance with foreign capital occurred in the context of weak domestic capital; the Singapore government selected foreign capital as its major partner of industrialization. In the early nineteenth century the British Empire developed Singapore as a trading depot to service the lucrative Far East commerce. Singapore imported agricultural products and natural resources from neighboring regions, such as Malaysia and Indonesia, and manufactured goods from Europe. Linked to the latter were numerous European agency

houses, shipping companies, and insurance and banking institutions owned mostly by London-based capital. The colonial administration served the interests of the British trading companies (Hamilton 1983). Thus, domestic capital was not well developed throughout the British colonial era. As a nonindustrial entrepot, Singapore suffered from a high rate of unemployment, and the material concern for making a living was the most urgent task, making rapid industrialization an absolute necessity (Chua 1991). Following independence, PAP promoted ISI through merging with Malaysia, but this attempt was unsuccessful. After failure to incorporate with Malaysia in 1965, the Singapore government actively implemented EOI policies, but domestic capital was nonetheless insufficient for industrialization. The only option left to Singapore was to sell itself as a convenient productive location for international capital (Castells, Goh, and Kwok 1990). Accordingly, the Singapore government provided various financial and institutional supports for foreign capital and created a receptive business environment.

The populist and growth alliances were interrelated under the "pragmatic" ideological orientation of PAP. All social activities were initiated in terms of the pragmatic goal of ensuring economic growth (Chua 1991). To continue to attract foreign capital, the Singapore government needed to maintain a favorable investment climate, which it did by supplying cheap and docile labor, good infrastructure, and above all social and political stability. Legislation and administrative rules were enacted to promote activities that might enhance stability and to repress activities that would disrupt it (Chua 1991). PAP thus repressed organized labor, which had been dominated by communists and had been critical of PAP. But lack of political support from the masses threatened to undermine the hegemony of PAP. To ensure continuous political support from the popular sector, PAP integrated organized labor and employed social investment in public housing, education, and health (Rodan 1989). In so doing, it was successful

in establishing a pragmatic ideological consensus to improve living conditions (Chua 1991). Accordingly, unlike South Korea, the Singapore government incorporated the popular sector into the developmental coalition to control the working class and mobilize labor around PAP's political and developmental aims. In doing this, PAP was able to repress the radical labor movements and at the same time substantially improve people's living conditions.

**The Active State Role in Public Housing Provision.** Of all social activities, the public housing program has been the most important means of ensuring the political legitimacy of PAP and achieving domestic social and political stability. As early as the beginning of the 1900s, Singapore was faced with severe overcrowding and housing shortages. By 1947, two-fifths of the population in Singapore was crowded into units accommodating 21 or more persons (Castells, Goh, and Kwok 1990). Furthermore, after World War II, with the influx of immigrants and high natural increase, population increased rapidly. The British government's *laissez-faire* attitude toward urban development allowed infrastructural and housing conditions to deteriorate (Ching and Tyabji 1991). With the immense pressure for more housing, the price of houses and urban land skyrocketed.

When Singapore attained self-rule in 1959, the new government inherited an extremely overcrowded city. Although PAP later changed its political color, at the inception of self-rule it had a strong socialist orientation. In the context of housing problems, it began a massive public housing program, which turned out to be an instrument by which to maintain the ideological hegemony of the PAP regime (Chua 1991) and incorporate the popular sector in the state apparatus.

The objective of the public housing program in Singapore has changed over time. Originally it was intended to provide basic shelter for the poor to solve the critical urban housing crisis inherited from the

British colonial administration. From 1960 to 1970, 118,000 units of public flats were provided by the Housing and Development Board (HDB), a statutory board in charge of the public housing projects in Singapore (Ching and Tyabji 1991). In this period most public housing units were rental flats for the poor, who had lived in squat and congested shop-houses in the central area of the city. Once the acute housing shortage had been relieved by the end of the 1960s, the HDB shifted its objective to providing a good housing environment and homeownership for virtually all public housing residents (Ching and Tyabji 1991). The government even set a goal of 100 percent homeownership for public housing residents by 1997, as an efficient means of incorporating ideologically and materially the diverse and largely immigrant population into a commitment to the existing society (Chua 1991). The government views access to housing as contributing to political stability, because owning a house gives individuals a stake in the country (Ching and Tyabji 1991).

The Singapore government has used various methods to stimulate homeownership. Ching and Tyabji (1991) classified these methods into three categories: supply aspects, demand aspects, and constraints on tenure choice. In terms of supply, the Singapore government has kept the price of owner-occupied housing affordable. The government provided full financial support to the HDB, adopted a high-rise, high-density development pattern through public housing and new town development, and enacted the Land Acquisition Act to acquire land at lower value (Castells, Goh, and Kwok 1990; Ching and Tyabji 1991).

In terms of demand, the Singapore government has tried to increase the purchasing power of potential flat buyers. In 1968 the government allowed households to use the Central Provident Fund (CPF), a scheme to provide compulsory savings for retirement for employees, to finance home purchases with low interest rates from the HDB (Ching and Tyabji 1991).<sup>5</sup> In 1971, the government introduced an innovative

strategy for commodification of the HDB housing units. HDB homeowners of at least three years were allowed to resell their flats to those eligible for public housing at open-market prices (Castells, Goh, and Kwok 1990).<sup>6</sup> Previously, HDB flats could only be sold back to the HDB at their original prices. As a result, HDB homeowners have been able to make potential gains in real estate, so that the demand for HDB flats rapidly increased. In addition, demand-side policies include tax exemptions of imputed rental income from owner-occupied housing and a preferential property tax rate for owner-occupied property (Ching and Tyabji 1991).

In terms of constraints on tenure choice, the HDB has introduced more stringent criteria for eligibility to rent. The income ceiling of renters has been drastically lowered, the age at which one is eligible to rent a flat has been raised from 21 to 29, and rental units are restricted to one- or two-room flats. The ability to rent public housing units has therefore become more difficult, compelling people to purchase housing (Chua 1991).

Interestingly, PAP has attempted to maintain social integration and build national identity through the spatial integration of ethnic groups and classes in public housing estates. Singapore is a heterogeneous society in terms of races, religions, languages, and cultures. This multiplicity previously was an obstacle to economic,

social, and political development. In 1957, the Chinese made up 75.4 percent, Malays 13.6 percent, and Indian-Pakistanis 8.6 percent of the total population (Castells, Goh, and Kwok 1990). Each ethnic group was heavily concentrated in a specific area within the central city. Public housing and urban renewal resulted in substantial suburbanization as well as the relocation of the population within the central city. The Singapore government strategically sought to integrate ethnic groups. For example, Malay families received a rent subsidy of 20 percent to entice them to move from the inner city to suburban public housing. As a result, the pattern of spatial concentration and segregation of ethnic groups began to disappear (Castells, Goh, and Kwok 1990). To ensure continued integration the government established quotas on minority populations in every housing estate to prevent the development of ethnic enclaves (Chua 1991). In addition to planned *ethnic* integration, *class* enclaves also were dispersed by spreading rental flats for the lowest income groups among the various classes of purchased flats. Thus, each housing estate became a mixture of different-sized flats catering to different income groups (Chua 1991, 37).

In addition to ensuring PAP's political legitimacy and stability, the huge public housing program has inadvertently contributed to economic growth by creating a favorable business environment to attract foreign capital and multinational corporations (MNCs). The cost of operation for foreign investors has been kept low because public housing lowered the living costs of workers and helped develop urban infrastructures (Castells, Goh, and Kwok 1990). Also, social and political stability, in part due to the public housing program, has made Singapore attractive to MNCs and has thereby implicitly linked the growth and populist coalitions.

**Rigorous Control of Landownership.** Unlike South Korea, the Singapore government has strongly controlled the land market by holding almost 80 percent

<sup>5</sup> Under the CPF scheme employers and employees contribute a specified percentage of wage income to the individual CPF account for retirement uses. Before 1968, CPF savings could only be withdrawn upon retirement, disability, or death (Ching and Tyabji 1991).

<sup>6</sup> As a criterion of eligibility for the purchase of public flats, the HDB established income ceilings on certain housing to provide more chances of homeownership to people in certain income ranges. For example, in 1970 only those households in which combined monthly family income was less than S \$1,200 were eligible for the purchase of three- or four-room public flats (Castells, Goh, and Kwok 1990). The income ceilings have been changed over time.

of the entire landmass. The dominance of public landownership has been in part due to the effective enforcement of compulsory land-acquisition policies. These policies have limited land speculation and kept the cost of public development low. The Land Acquisition Ordinance was first passed in 1920 to empower the British governor of Singapore to acquire private land for public purposes. In 1966, PAP amended the Land Acquisition Act of the British colonial government to develop housing. This act authorized the HDB to acquire, through compulsion, any private land for its development programs, which controlled real estate speculation and contributed to the long-term success of the public housing program (Castells, Goh, and Kwok 1990).

The rigorous land acquisition policy was easily adopted because of strong populist support as well as the political weakness of landlords. Due to the earlier Land Acquisition Ordinance of 1920, landlords had not become politically and economically powerful. In addition, the popular sector supported the act because in a land-scarce island nation with inferior housing conditions a rigorous land policy could both reduce the costs of land acquisition and house-building and effectively reduce speculation, which would raise land and housing costs. PAP was easily able to execute compulsory land acquisition for public housing and to overcome the opposition of the landlords on the basis of the popularity of the land policy among the overwhelmingly property-less masses (Chua 1991).

**The Tension between Growth and Distribution.** Based on the alliance with foreign capital, Singapore's EOI strategy was quite successful; foreign investment in the manufacturing sector increased rapidly from S \$157 million in 1965 to S \$3,054 million in 1974 (Rodan 1989), and GDP increased rapidly from S \$1,985.3 million in 1960 to S \$23,271.9 million in 1980 (Castells, Goh, and Kwok 1990). However, in the 1970s, the success of EOI brought with it a number of pressures. As the unemployment problem was solved by the

late 1960s, the Singapore economy began to suffer from a labor shortage because EOI was dependent on labor-intensive production. Moreover, the unequal distribution of profits from rapid industrialization—for example, the continuing limits on wage increases—caused serious political discontent among workers. In May 1971, the National Trade Union Congress (NTUC) campaigned for a more equitable share of profits. Workers' discontent coincided with growing labor shortages, thus improving union bargaining power (Rodan 1989).

In this context, the government tried to upgrade Singapore's economy to higher value-added production. In so doing, in 1973, the state allowed wages to rise at an accelerated pace to force firms to create more skilled positions and adopt more capital- and technology-intensive processes (Haggard and Cheng 1987). After the world recession in the mid-1970s, the Singapore government actively implemented the so-called "Second Industrial Revolution" as an intensified effort to shift Singapore to a more sophisticated technological base. Twelve sectors, such as computer software, specialized chemicals, pharmaceuticals, and precision engineering, were selected for special promotion, and special incentives were developed to encourage the establishment of R&D facilities. However, this industrial restructuring required large government expenditures. The proportion of government expenditures on development rose from 36.6 percent in 1979–80 to 55.3 percent in 1982–83 (Rodan 1989), leading the state to reduce its social welfare responsibilities through commodification or privatization of various social welfare services, including housing, education, and health.

As a result of the government's homeownership promotion policies, applications for rental flats decreased from 87 percent in 1964 to 4 percent in 1988 (Ching and Tyabji 1991). Cuthbert (1992, 327) explained this extensive commercialization of public housing as a method of passing the national debt on to consumers. An aim

of the government's emphasis on homeownership was to reduce the costs and problems of estate management in the long run (Castells, Goh, and Kwok 1990). Moreover, the promotion of homeownership has created some distributional problems. It has become more difficult for some low-income households, which still cannot afford to buy housing, to rent public housing. As a result, those urgently needing rental flats may have to rent a room from the informal housing market and pay much higher rents (Ching and Tyabji 1991).

**Summary.** The strong public housing and land policies of Singapore have encouraged a balanced relationship between the growth and populist coalitions. In this way, unlike in South Korea, the Singapore government has played an active role in providing public housing and regulating private landownership to its people. Since the 1970s, however, the intensified alliance with international capital has reduced the capacity of the Singapore state to provide social welfare. Consequently, the government has had to reduce its social welfare responsibilities through commodification or privatization of social welfare services, such as housing, education, and health in recent years. At this point in time, then, conflict between the growth and populist coalitions may challenge and indeed threaten Singapore's long-time effective housing program.

## Conclusion

Comparing the state role in housing in South Korea and Singapore demonstrates significant differences despite their common economic successes and strong state role in economic growth. These differences are due to the different nature of the political coalitions between the state and social groups in the two countries. The exclusive developmental coalition between the state and large capitalists in South Korea has forced the state to minimize its role in housing provision and has severely reduced

state autonomy in controlling real estate speculation. In contrast, the state in Singapore has played an active role in providing public housing and controlling landownership and has maintained a balanced relation between growth and populist coalitions.

Contrary to statist claims, state autonomy in East Asia is limited, as evidenced by the state role in *social development*. The developmental coalition in South Korea, where the state established an alliance with large conglomerates to promote rapid economic growth, has restricted autonomous state action for social development. Thus, the Korean state has promoted economic growth at the expense of social development—not as a function of the rational decision of state bureaucracies, but rather, as a consequence of the growth coalitions, which the state established with large businesses for effectively promoting economic growth. In contrast, the state in Singapore, at least until recently, has been able to perform an active role in promoting distributive housing policies because of the balanced relationship between the growth coalition and the populist alliance.

This study suggests that the state role in national development needs to be understood in the context of political relations between the state and social groups. From a policy perspective, the study suggests that *social development* requires establishing appropriate political relations among social actors, such as the state, capital, and labor. That is, housing problems, as an example of social underdevelopment, cannot be solved by housing policy—a Band-Aid on an open wound—but rather by structuring or restructuring the political coalition so as to encompass the popular sector.

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