



Neoliberal Reform, Cultural Policy Changes, and the Transformation of Cultural Industries in South Korea

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This paper tries to demonstrate that the transformation of the Korean cultural industries for the past two decades was deeply embedded in the political economy of Korea, by closely looking at the nation's economic and industrial transformation and the changes in the cultural and cultural industries policies. In terms of the development of the cultural industries as a whole, and of their contribution to the national economy, it seems that Korean cultural industries have been successful. A wide range of globalization and liberalization of Korean economy following the economic crisis, a paradigm shift in the state's attitude towards culture as the object of economic activities and of state industrial policy, and a drastic expansion of information and communications industries were among the major factors for the success. But, the social and cultural effects of the rise of cultural industries have been under-explored and some negative effects have been brought about. The question is that: Given the present tendency of economizing and technologizing culture, could cultural industries fulfill such cultural functions as preserving national or local identity and unity, giving a meaning(s) to life, and above all keeping a stable group life by providing values and norms?

Keywords the cultural turn, Korean cultural industries, neoliberalism, cultural policies, knowledge and information economy

I. Introduction

In the latter half of the 20th century, many countries, especially economically advanced countries, have experienced an increasing cultural turn of the economy. Culture, specifically, information and knowledge, becomes commodities produced, distributed and consumed in the market, while the economy is more and more based on information and knowledge. This is what Thrift calls "capitalism's cultural turn." According to him, today's capitalist economy is becoming "soft or knowledgeable capitalism", where "business is about the creation, fostering and distribution of knowledge" (Thrift, 1999: 136). He argues that because of the massive increase of information and the increasing emphasis on innovation, soft capitalism is on the

rise. At the core of soft capitalism there are cultural or creative industries which have recently expanded greatly not just in size but also in influence.

The cultural industries have continuously evolved, and have undergone remarkable transformation since the early 1980s. Until the 1980s, cultural industries were mostly small and economically insignificant. The major function of cultural industries was regarded to be less economic, but more contributing to “nation-building and protecting local identity in the face of globalizing” (Oakley and O’Connor, 2015: 2). In other words, the cultural side rather than the industrial (or economic) side was emphasized in the cultural industries.

Since the 1980s, however, the cultural industries in many countries have advanced to the center of the national economy. Not only organization and ownership of them have changed, but also they have been globalized in the sense that more and more cultural products and texts are produced, circulated and consumed across national borders. In addition, one can find proliferation of new communication technologies, increasing cultural activities and texts, more complex tastes and habits of audiences, and cultural policies and regulations emphasizing economic values (Hesmondhalgh, 2007: 1-2).

In fact, the most distinguishing characteristic of the cultural industries is that they contain contradictory values and logics, cultural and economic. However, the recent history of cultural industries clearly indicates a tendency towards more emphasis on economic value than cultural one, especially when they were reformulated as the ‘creative industries’ in the 1990s. In the creative industry, “the tension between cultural and economic logics disappears,” and “as a consequence the predominant tactic of the cultural sector over the last 20 years has been to position itself as contributing to the economy” (Oakley and O’Connor, 2015: 11).

Then, what are responsible for the recent rise and transformation of cultural and/or creative industries? How are they explained? What are the impacts and implications of this development?

There are several important theoretical approaches concerning these questions. The Neo-Marxist Frankfurt School provided one of the earliest approaches to cultural industry which was regarded as another name of mass-produced popular culture. They were very critical of cultural industry as a whole because they believed that it meant a shift to the

commodification of culture and the alienation of the cultural producers. Their theory was based on the German idealist notion of culture and a Marxist economic theory of industry (Adorno and Horkheimer, 1972).

Later, there appeared a split, within the neo-Marxist camp, between the cultural studies school and the political economy approach. The cultural studies school gives more weight to culture than industry, the former of which is regarded to be relatively autonomous and a locus of hegemony, while the latter approach takes the term 'industry' more seriously and applies both Marxist economic analysis and the mainstream information economics to the analysis of cultural industries, emphasizing "the particular nature of economic structure and dynamics of the cultural sector, stemming from the symbolic or immaterial nature of its product" (Garnham, 2005: 19).

A group of more conservative sociological approaches were proposed by Daniel Bell (1973) and others, with different names such as the post-industrial society, information society, post-Fordism, and network society. Whatever they are called, they share an evolutionary view of capitalist development with the theory of sectoral shift from the extractive to manufacturing and then to service in a capitalist economy. They argue that capitalist development would undergo several stages and head toward the knowledge and information-based economy. For these theorists, this change is inevitable due to socio-economic transformation in the advanced capitalist societies. Thus, unlike the view of critical theorists, they have a positive view on the rise of cultural industries, which are treated on a par with industrial revolution by some for capitalist development. Many of the classical economists concur with this perspective, with such economic theories as Schumpeterian school of innovation, evolutionary economics of development and information economics (Lee, 2016; Garnham, 2005). In this perspective, culture is an economic object, and economic value and logic should prevail over culture.

This approach is closely related with the shift from the cultural industries to the creative industries as a policy discourse during the Blair government in the U. K. It was established as a central platform of the postindustrial economy and had a vision that cultural sectors could contribute to economic growth. The creative industries are larger than cultural industries, including digital technologies, copyright and intellectual property, with cultural industries at the core. The creative industries discourse is closely

connected with neoliberalism and the theory of information society, and has spread quickly to other countries including such Asian countries as Taiwan, Korea and China (Flew and Cunningham, 2010: 113-114).

In fact, one of the chief factors for the rise of cultural or creative industries after World War II was a series of economic recession, which the governments of affected countries have dealt with various political and regulatory measures. Key measures to deal with the economic crisis include freeing markets from government intervention and building a knowledge-based society, which started in the UK and the USA in the late 1970s and 1980s. Other changes arisen from the long economic recession include changes in business strategies such as a shift towards service economy, internationalization and flexible specialization. Relative expansion of leisure time vis-a-vis working time and an increase of disposable income have also greatly contributed to the expansion and transformation of cultural industries. Finally but not least importantly, advancement of information and communication technologies, especially digital technologies, has laid the main infrastructure for information society (Hesmondhagh, 2007: 83-101).

East Asia is typical in this respect, because its cultural industries policy was instrumental to rebuild its economy towards a knowledge-based economy and to quickly recover from the economic crisis in the late 1990s. The neoliberal reform following the economic crisis and the explosion of popular cultural products have changed government's attitudes toward culture and the cultural industries. In the past cultural policies represented the ways for governments to emphasize and reinforce nation-building or prevent the infiltration of foreign culture whether regarded as morally harmful or politically dangerous (Chua, 2000: 12-13). However, after the crisis and neoliberal reform, these attitudes changed. "Culture is linked to both the developmental idea of amassing national wealth and to enhancing the national image by promoting the export of national cultural products. Culture, thus, becomes an object of policy that is seen as manageable ... through technological and political channels in the service of national economic and political goals" (Otmazgin and Ben-Ari, 2012: 5).

In order to achieve these goals, governments in some East Asian countries play an active role in promoting popular culture through special budgets, government offices, or tax breaks, in addition to regulatory functions. As a result "consumers are exposed to various popular cultures and

are characterized by a diversity of consumption habits and lifestyles. ... At the same time, however, there is a noticeable unevenness in the production and distribution of these flows” (Otmazgin and Ben-Ari, 2012: 3-4).

The rise of cultural and creative industries has invited many criticisms and debates, both on theoretical and empirical grounds. First of all, critics are concerned with shifting boundaries between culture and economy, and with the risk of culture being subordinated to the commercial market (Hesmondhalgh and Pratt, 2005: 1; Flew and Cunningham, 2010: 114). They believe that culture and economy are the two separate domains with distinct values and logics. But those who advocate a social network market which is supposed to work in the creative industries, believe that in the market, “the false opposition of economic and cultural values is dissolved within highly complex adaptive systems” (O’Connor, 2009: 387). Another big issue is whether the cultural industries can really contribute to economic progress. This issue involves their direct contribution to economic growth and the advancement of economic structure and their indirect contribution through ripple effects (Garnham, 2005). There are empirical studies that confirm the claim of economic contribution, but some critics argue that the boundaries of the creative industries are arbitrary and too flexible to accurately measure their effects.

Others criticisms are against neoliberalism inherent in the creative industries discourse, because neoliberal cultural policies could augment exploitation and inequality in the industries (Hesmondhalgh, 2008: 567), which are closely related with the issues of cultural democracy and cultural citizenship (O’Connor, 2009). According to critics, equal access to culture and social and political rights to culture could be hampered under the creative industries policy which would further the hegemony of multinationals over the cultural sphere, and widen social and cultural divide (Flew and Cunningham, 2010). This issue is closely related with the views on market, whether market is compatible with culture and whether market is equalizer or divider. Against the negative views of neo-Marxist critics, John Hartly (1999) equates democracy with market and argues that the creative industries would expand cultural citizenship to previously excluded group. Still other critics are concerned with the working and employment conditions of cultural or creative workers (O’Connor, 2009).

In this paper, I will try to deal with some of the above issues in analys-

ing the Korean case. The South Korean case is typical in the sense that the transformation of cultural industries has followed a similar course described above. Of course, however, the cultural industries in South Korea (Korea, hereafter) have evolved into their modern forms through winding historical processes involving a variety of events and influences. Thus, an analysis of the Korean case would provide a piece of empirical evidence for or against the existing theories and views on the cultural industries on the one hand, and raise new issues and questions on the other. My purpose in this paper is to make sense of the present status of the Korean cultural industries and to discuss their relationship with other spheres such as culture, society and the state. Previous studies are mostly concerned with economic aspects of cultural industries such as their contribution to national economy, and individual cultural industries' business and managerial aspects, and seldom with other social, cultural and political issues. Since the cultural or creative industries take shape in the context of political economic circumstances and may differ depending on these backgrounds, I will first examine the neoliberal reform following the financial crisis in the 1990s and subsequent cultural policies, which may have determined the nature and characteristics of the new cultural industries in Korea. Then I will critically discuss some social, cultural and political implications of this transformation.

II. Industrialization and Neoliberal Reform in Korea

Korean economy, underdeveloped and pre-modern, took off in the 1960s and 1970s, during the military regime which exerted all-out efforts for industrialization and economic growth through the state-led, export-oriented, *chaebol*-centered and labor-excluded development plans (Lim, 1985). The government's plans were successful in achieving remarkable economic growth and industrialization in two decades, and Korea emerged as one of the four little tigers with fastest growing economies in the world (Song, 1994: 60-61).

During the authoritarian military regime, the state tightly controlled almost all spheres of society and all aspects of people's life. In this period, culture was regarded mainly as something to foster national identity and unity. Its economic value and function were not acknowledged, and, as a

result, cultural industries were almost non-existent, except for a few small-scale industries in such fields as book-publishing, recorded music-making and cinema-producing.

A new military regime was established in 1980 and Korean economic system was, though limited, liberalized and privatized through subtle deregulation measures, industrial restructuring, privatization and financial liberalization. The government opened up the capital market and permitted foreign direct investment which was restricted by the previous regime (Sakong, 1993: 61-63; Song, 1994: 114-115).

There was also an important change in the industrial structure during the new military regime: a move away from heavy industry to high-tech industries such as semiconductors and computers. Korea's semiconductor industry began in 1975, but it was during the new military regime that top ranking *chaebols* such as Samsung, LG and Hyundai invested heavily on this industry and began to produce semiconductor chips on a massive scale, most of which were exported. Korea soon became one of the major suppliers of semiconductor, which had long been the top export item since the early 1990s (Jin, 2011: 22).

The Korean economy was further liberalized from the late 1980s, when the country was fully democratized after long democratization movements. As a result of subsequent political and economic liberalization, the strong state retreated from the central stage of economic arena, and the business including *chaebol* and the labor gained more power vis-à-vis the state, though the state remained the dominant partner of the three. There was also international pressure, from the U.S., WTO and so on, for free trade and liberalization of the economy, which boosted Korea's exports greatly and sectoral shift toward the dominance of manufacturing industry (BOK, 2017).

The Kim Young Sam government (1993-1997, the YS government hereafter), the first truly civilian government since 1961, took neoliberalism as its basic development strategy, and pushed further globalization of Korean economy by joining the WTO and OECD in 1995 and 1996 respectively. The YS government's reform policies include flexible labor markets, restraint of monopolistic *chaebols*, domestic financial reforms, and opening-up of financial and capital markets. But the YS government's economic policies of deregulation, privatization, and globalization made Korean economy more

vulnerable to foreign influence (Kim, 1998: 178-196), and were at least partly responsible for the 1997 financial crisis.

The financial crisis hit hard on Korean economy and the YS government had to ask the IMF (International Monetary Fund) for bailout. The IMF loans are usually provided with strict conditions in line with the so-called “Washington Consensus” that heralds the neoliberal market-friendly economic policies. The conditions imposed upon Korea included fiscal and monetary austerity, financial market reorganization, corporate restructuring and improvement of corporate governance structure, liberalization of trade and capital markets, labor market flexibility, and enhancement of corporate transparency (Hong, 1998: 348-351).

The YS government was succeeded by the Kim Dae Jung government (1998-2002, the DJ government hereafter) in 1998 who had no choice but to follow the IMF-mandated economic reform policy. The government’s efforts to get over the economic crisis were centered on overcoming the liquidity crisis at first, and then on structural reform, and opening of the domestic market. From the late 1998, Korea was getting out of the economic crisis. Its exports grew faster and GDP growth rate also turned from negative to positive in two years. Korea finally repaid all the debt from the IMF in August 2001, and fully resuscitated from the crisis.

An important consequence of the economic crisis was that the Korean government and business seriously considered the structural vulnerability of their industry and turned their attention to information technology. In fact, Korean society had already entered information age in the early 1990s. In March 1995, the YS government set up a plan for the Korean Information Infrastructure (KII) to lay the foundation of information society. The plan was to construct an advanced nationwide information infrastructure including communication networks, Internet service, application software, computers, and information products and services. The Korean government also invested heavily on the technological advancement of information and communications networks through its “Cyber Korea 21” (Jin, 2011: 45). As a consequence, the information and communications industries became the major industries, ahead of heavy and chemical industries, in terms of production and exports (MKE, 2011: 4; MSIP, 2017: 4).

Another change in Korean economy after the 1997 economic crisis was a shift from the export-led economy to a consumer-driven economy. In order

to boost consumption the government actively promoted credit card use and e-commerce by offering a wide-range of incentives. Increasing consumerism is also related with rising standard of living which usually augments leisure time and activities, and leads to the rise of cultural industries.

One of the most significant reform measures mandated by the IMF conditionality was to open domestic markets, which had been very much closed to foreign intrusion. Not only Korean markets had been closed to outside world, but also such basic freedom as freedom of speech had been severely restricted by censorship during the three decades of military dictatorship. Beginning from the 1980s, pressures from the West, especially from the U.S. to open the markets were mounting, and the new Korean government began to open its borders albeit slowly. For example, Korean nationals were allowed to travel overseas freely without any restriction only since 1989. The prior censorship for the performing arts was formally abolished in 1996 after a landmark decision by the Constitution Court (Yang, 2007: 183).

Significantly, the ban on the importing of foreign cultural products and the intrusion of foreign cultural industries into Korean domestic markets had been gradually lifted since 1980s. For example, Hollywood film distributors were allowed to do business in Korea in 1988, which was probably the first penetration of foreign cultural industries into the Korean cultural market, although foreign films were screened by local distributors within the limit of certain quotas even before this event. Japanese popular culture had long been banned in Korean markets, but the ban had been lifted step by step since 1998. The importation of foreign television programs had also rapidly increased since the mid-1990 when the cable television service greatly expanded the number of television channels (Yang, 2012: 116).

The Korean government also encouraged big corporations (*chaebols*) to invest in cultural industries in the early 1990s, which were prohibited in order to protect small and weak cultural industries from take-over by *chaebols*. As a result, major *chaebols*, such as Samsung, Daewoo, Hyundai, LG and SK entered multiple sectors of the cultural industries (Kwon and Kim, 2014: 433). Some of the *chaebols* who invested in the cultural industries withdrew from the industries after the 1997 economic crisis, but left an important legacy in them in the form of highly educated young professionals with top-notch management skills (Shim, 2006; Yang, 2007: 188-189).

In addition, the development of ICT industries have contributed great-

ly to the growth of such cultural industries as game, cinema, music and broadcasting that have rapidly transformed into high-tech, especially digital-tech, industries. Also the extensive penetration of ICT into everyday life and people's greater concern with quality of life due to improvement in life conditions have resulted in greater demand of cultural products and the development of cultural industries in Korea (Yang, 2009).

In sum, the neoliberal reform since the 1980s, especially after the economic crisis, has resulted in a wide range of globalization as well as liberalization of Korean economy. At the same time, Korean economy witnessed a dramatic expansion of information and communications industries and extensive penetration of such information technologies as personal computers, mobile (later smart) phones, satellite television, and the Internet into the everyday lives of average Koreans. An important caveat for the Korean case of neoliberal globalization is that the state has played an active role in the whole process of the reform, despite strong theoretical arguments of weakening state power in the course of neoliberalization (Sinclair, 2007; Wood, 2003).

This information revolution has greatly facilitated not only cultural globalization by providing an almost unlimited access to foreign culture, but also development of cultural industries by providing necessary technological resources and consumers (or audiences) both domestic and foreign (Yang, 2007: 184). Indeed, the so-called *Hallyu* (Korean Wave), the wide-spread of Korean popular culture over the East Asian countries first, and then over the whole world lately since the mid-1990s, has been possible largely due to recent neoliberal globalization (Yang, 2012: 139).

III. Changes in Cultural and Cultural Industries Policy

Korea's rapid economic growth and industrialization during the 1970s and 80s are often attributed to the developmental state which masterminded the whole process of capitalist transformation. The strong state run by the military-turned-civilian government took a firm control over the capital and the labor, and led and pushed them hard towards economic development. However, the developmental state model was challenged in the late 1980s when the long and intense protest movements finally restored democracy

and liberated the economy. The state, no longer military or authoritarian in nature, has still been the dominant partner over the capital and the labor, and actively intervened in the market and development process. Therefore, some call the state after the democratization the neo-developmental state. In this process of political economic transformation, the attitude of the state toward culture and cultural industries has also changed. Culture not only becomes “the object of economic activities and state policy, but increasingly provides the principles for transforming the state and the economy.” (Lee, 2012: 123). Especially, cultural policy became an important part of the political project of economic development and industrial modernization.

Culture, in the early years of modern Korea was not much an object of government policy, because nation-building in political and economic sense was a paramount task for the government. Culture was seen mainly as an ideological tool to legitimize the regime and to preserve national identity. It was the Park Jung-Hee’s military regime that laid the foundation for modern cultural policy (Yim, 2012: 160), which was mainly geared to create a sound national spirit and to reform people’s mind, so as to successfully mobilize people to modernization and economic development, which would, in turn, help legitimize the regime (Chun, 1998: 83-106; Chung, 1993: 82-132). Another aim of cultural policy in this era was to revive and protect national culture from domination by foreign cultures with such measures as the ban on importing foreign cultures, censorship, and restricting the flow of people and culture across national borders (Yim, 2002). In this period, commercial popular culture as well as foreign popular culture was conceived as being obscene, violent and decadent, and detrimental to the state’s modernization efforts, so to be regulated and controlled (Kim K.-H., 2012: 40; Lee, 2012: 126). There were cultural industries such as book publishing, cinema producing, and music making, but they were mostly small, fragile and economically insignificant. Thus, until the early 1990s, cultural industries had not been objects of national cultural policies. Nor there had been a government agency to deal with cultural industries until the early 1990s.

The YS government was the first government to recognize the economic potential of the cultural industries (Kwon and Kim, 2014: 426), and to lay the institutional foundation by establishing the Cultural Industry Division within the Ministry of Culture in 1994 to promote cultural industries, which sig-

nalled a shift from the regulatory policy of cultural industries to the supportive policy (Kim K.-H., 2012: 44). The YS government initiated the 'Five Year Plan of New Korea Cultural Development' (1993-1997) "to enhance the quality of life of the people through cultural development and to enter into the stage of the advanced cultural welfare country" (KCTI, 2016: 51). It is probably the first cultural policy in Korea that includes explicitly the promotion of cultural industries as one of its main goals.

The YS government introduced a neoliberal economic transition and actively promoted *Segyehwa* (globalization) as one of its major policy goals, which included globalization of Korean culture. Thus it was not purely a coincidence that Korea popular culture, especially television dramas, started to spread into East Asian countries, hence the beginning of the 'Korean Wave' during this period. However, it was at best a limited success to promote cultural industries, because the YS government suffered the worst economic crisis in its last year, which occurred at least in part as a result of its globalization and liberalization policies

The DJ government that succeeded the YS government confronted a serious immediate task to get over the economic crisis and attempted a paradigm shift from industrialization to post-industrialization. The president proclaimed himself as "the President of Culture" and aggressively promoted the cultural industries to prepare for the knowledge-based economy, "based on the assumption that the valorization and industrialization of culture are potentially beneficial for the reorganization of the national economy in an age of globalization" (Lee, 2012: 128). The DJ government's cultural policies were guided by two basic principles, that is, the arms-length principle, "support but not intervene," and a strategic aim to put the cultural industries at the core of the economic development strategies. Among the cultural industries, dramas, films, music and online games were selected for intensive promotion under these policies (Kwon & Kim 2014: 428).

In order to facilitate the aims and strategies of cultural policies the DJ government increased drastically the budget for the Ministry of Culture, which for the first time exceeded 1 percent of the total government budget (Kwon and Kim 2014: 431), and enacted laws and implemented action plans. The Cultural Industry Promotion Act in 1999 was the first in its kind in Korea, and has remained a basic law, though revised a few times later on. The government also set up the Five Year Plan for Cultural Industry Promotion

with an aim to make cultural industries a major national industry. The plan included movie, animation, game, music, broadcasting, publishing, fashion and design, and craft including pottery as categories of cultural industry (KCTI, 2016: 53).

One of the important cultural policy agencies established during the DJ government was Korea Cultural Contents Agency (KOCCA) which aimed to promote the cultural and content industries that were not covered by other public agencies, such as character, comics, music, animation, traditional culture and party games. Its activities suggested that the cultural policy scheme was based on “a specific construction of culture: culture as content, with a strong technological implication and with exportation as the goal” (Lee, 2012: 130). It was the DJ government that made a paradigm shift in the cultural industry policy by recognizing its great economic potential, and building the legal and institutional base for the development of cultural industries.

The Roh Moo Hyun government (2003-2007, the Roh government hereafter) continued to promote cultural industries as one of the 10 key strategic industries for economic development (Kwon and Kim, 2014: 428). At this time, the ICT industries became a major pillar of Korean economy and were regarded to be essential for an advanced network society. The Roh government introduced ‘the creative culture-based economy’, which was regarded as following the knowledge-based economy. (Lee, 2012: 128; MCT, 2005a: 8-9). In this policy scheme, culture was closely linked with information and communications technology, and framed as ‘culture content’ and ‘culture technology’ (CT) which was designated as one of the future engines for national development (Lee, 2012: 128). Thus it can be said that a kind of creative turn happened in Korea during the DJ and Roh governments, which regarded ‘creativity’ as the driving force for economic development in the 21st century, ‘contents’ as the breakthrough in the age of growth without employment, and ‘culture’ as the core capacity for global competitiveness (Chung, 2013: 33-71).

The subsequent Lee Myung-bak government (2008-2012, the MB government hereafter) continued the policy of fostering the growth of cultural industries. During the MB regime, there was a subtle change in its policies by the reconceptualization of cultural industries as content industries that was designated as the new growth engine. The term “content” was initially used

in the digital business world to refer to “whatever was distributed and circulated on media platforms, especially in various digital forms” (Lee, 2012: 130). The related industries were called ‘content industries’ in Japan and Korea, while other countries use ‘cultural industries’, ‘creative industries’, or ‘entertainment industries’ instead. In Korea the term ‘cultural contents’ is also used to replace such terms as ‘software’, ‘information’, ‘digital contents’ and so on (Lee, 2012: 130). And the arts, traditional culture, craft and heritage were newly defined as content for cultural commodities (Lee, 2014: 99). This shift from ‘cultural industries’ to ‘content industries’ signified the increasing emphasis on the economic aspects and value of culture and the technological underpinnings of the cultural industries. In fact, the MB government created the Korea Creative Content Agency in 2009 to develop the content industries as a national strategic industry by the convergence of cultural content and digital technology. Behind this shift to the content industries lie the global financial crisis in 2008 and global expansion of cultural industries.

The Park Geun-hye government (2013-2017) followed the MB government’s cultural policies in promoting the content industries to facilitate economic growth. The economic purpose of the Second Content Industry Promotion Plan (2014-2016) was more explicit and specific; it was “to lead the creative economy by content industry and to achieve the GDP per capita of 30,000 USD” (Kwon and Kim, 2014: 435). The Park Geun-hye government embraced “creative economy” as a new master economic narrative with an increasingly neoliberal approach that was less supportive of government intervention in industry sectors. The Free Trade Agreements between Korea and the European Union (2011) and the U.S. (2012) also constrain government ability to openly support cultural industries.

IV. Transformation of Cultural Industries

The history of modern popular culture and cultural industries in Korea started in the early years of the Japanese colonial period (1910-1945) when such modern forms of mass media as newspapers, magazines, radios, films and phonographs were introduced for the first time in Korea (INC, 1977). After liberation from Japan, American popular culture entered in Korean soci-

ety mainly through American troops who have stayed in South Korea since 1945, and rapidly replaced traditional Korean popular culture. However, modern forms of cultural industries did not develop until 1980s, due to the strict control of cultural activities by the authoritarian regimes.

Notwithstanding, a few cultural industries were burgeoning in this period. We will examine the processes of transformation of the three cultural industries, that is, the film industry, the broadcasting industry and the music industry.

Korea's film industry was flourishing in relative terms in the 1950s and 1960s, because watching movies has been one of the most favourite pastimes for Koreans. But during the military regime (1961-1987) it experienced a setback due to the government's suppression of creative and critical activities through censorship and regulation. Censorship of films was started during the colonial period and continued after the liberation and the establishment of independent Korean state. It was finally abolished in 1996 by the rule of the constitution court. Along with censorship, a screen quarter system began to be implemented in 1966 in order to protect domestic films from imported ones and continued until recently. In the late 1980s, the government changed its film policy, in accordance with its neoliberal turn, from the film production permission system to the registration system and opened the domestic film market to foreign film distributors. As a result, the Korean film industry lost its ground and Hollywood films began to dominate the Korean film market. Thus the market share of domestic film reached its lowest point of 15.9 percent in 1993, when the number of domestic films produced was also lowest at 63 (Jin, 2011: 126). Also the introduction of colour television in the 1980s, the diversified recreation of the affluent middle class, and the traditional low esteem conferred on the professionals in the theater and show business contributed to the depression of the Korean film industry during the period from the 1970s to the early 1990s (Jin, 2011: 127-128).

Korean film industry rose again during the YS government which actively supported the film industry with a new law, the Motion Picture Promotion Act in 1995, and provided diverse incentives such as tax breaks for film studios and allowed *chaebols* and transnationals to invest in the film industry. Thus, such big corporations as Samsung, Daewoo and Hyundai entered the film business, and began to invest in film making and to im-

port foreign films in large quantity (Jin, 2011: 132-133). There was a setback in the Korean film industry due to the economic crisis in 1997, but the economic crisis was soon overcome, and the Korean film industry has risen again in the 2000s.

Since the beginning of the new millennium, Korean film industry has been rapidly growing qualitatively as well as quantitatively due to such changes as rationalization of production system, stabilization of capital for production, continuous input of qualified professionals, and investment of big corporations (Park et al., 2005). For example, the average production cost of a film has increased more than three times from 1.3 billion KRW (Korean won) in 1997 to 4.2 billion KRW in 2004 (Yang et al., 2006: 188). At the same time, a few blockbusters costing more than 10 billion KRW have been made and successful in drawing a huge number of spectators. In fact, the rate of Korean film viewers to that for foreign, mostly American, films has changed drastically; it was 23 percent versus 77 percent in 1996, but reversed to 53.5 percent versus 46.5 percent in 2003 (Yang et al., 2006: 206). It was for the first time in history that Korean viewers watched Korean films more than foreign ones. In fact, the share of domestic films in the viewership market has been fluctuated a little bit since 2000, but it has remained over 50 percent except for a few years. Besides the U.S, whose Hollywood films have dominated the world film market for a long time, India is probably the only other country to have that record. Also the export of Korean films to overseas has increased tremendously from 3 million USD in 1998 to 76 million USD in 2005 (Yang et al., 2006: 212; MCST, 2008: 185).

In fact, the decade from 1996 to 2006 is often called the "Renaissance of Korean Films," because of the rapid expansion of the film market due to the release of well-made blockbuster films and the rise of multiplex movie theaters in this period. The high quality of Korean films has also been attested by winning prizes in such highly-acclaimed international film festivals as the Cannes, the Venice and the Berlin festivals. The success of the Pusan International Film Festival in Korea which started in 1996 is another example that demonstrates the global reach of Korean film industry as well as its global standard (Ann, 2009).

Since 2006, Korean film market has experienced a recession due to the saturation of domestic market and increasing production costs. The total sales of the film industry decreased from 3,683 billion KRW in 2006 to 2,954

billion in 2008. From 2009, however, the industry began to grow again mainly due to the new platforms such as IPTV and the expansion of internet download services. In fact, the total sales of the industry have recently grown rapidly again from 3,363 billion KRW in 2009 to 5112 KRW in 2015. Now it is estimated that the Korean film industry stands at the 9th in the world in terms of the market size (Kim, Yoon, and Chang, 2016: 150).

The Korean broadcasting industry was in its infancy during the first two decades after Korea's independence from Japan in 1945. The black-and-white television was first introduced in 1961, but the majority of the population did not have access to modern broadcasting systems at that time (Jin, 2011: 159). The nationwide terrestrial television broadcasting networks were established in the 1970s, and the number of television set used increased from 380 thousand television sets in 1970 to 6.27 million in 1980 (Jin, 2011: 65). At this time, the broadcasting industry was tightly controlled by the authoritarian regime that regarded the broadcasting networks as a propaganda tool to legitimize the regime and to contribute to the regime's goal of "modernization of motherland" and "reunification of South and North Korea" (Jin, 2011: 61).

In the 1980s the Korean media industry has undergone a series of institutional changes, owing to shifting media policies, the development of new technologies, and economic growth. The market was wide-open, and soon joined by minor networks such as Catholic, Buddhist and traffic TV. In 1991 the first private TV station, Seoul Broadcasting System (SBS) joined the existing KBS and MBC to begin the era of troika. In 1995 cable TV was introduced and local private TV stations were allowed and established (Jin, 2011: 91-96).

The number of colour TV sets in use grew to 17.2 million in 2000, which is equivalent to 1.2 sets per household. 12 new commercial terrestrial broadcasting channels hit the airways in the mid-1990s, and the total number of cable channels soared from 20 in 1995 to 153 in 2002, when the digital satellite TV was launched. These changes can be attributed to such changes as "privatization of existing broadcasting media, an increase in commercial broadcasting corporate investment in new media including cable television, the relaxation of foreign ownership restraints and the launch of digital satellite television" (Jin, 2011: 88).

In fact, the civilian government since the 1990s took a more market-ori-

ented media policy and opened the broadcasting market to *chaebols* and transnational corporations. But since the Korean policy makers considered that television was the last stand to protect national identity and culture from Western influence, they established a quota system for TV channels to obligatorily broadcast at least a certain amount of domestic programs. The government did not allow foreign ownership in many media industries, including terrestrial broadcasting and newspaper companies. But these restrictions have been gradually eased since 1998 (Jin, 2011; 103).

The new millennium has also witnessed rapid changes in broadcasting environment, with launching of digital satellite television in 2002, opening of DMB in 2005, IPTV and smart TV in 2008. As a result there have been changes in the TV viewership. The viewership rates for the terrestrial TV networks as a whole declined in contrast to the increased number of cable TV and IPTV subscribers (Kim, Yoon, and Chang, 2016: 174-200).

The rapid growth of the Korean broadcasting industry since the late 1990s can best be represented by the increase in the industry's total sales. The total sales of the Korean broadcasting industry were estimated to be 3,075 billion KRW in 1999 (MCT, 2000: 74), but increased more than three-fold to 9,719 billion KRW in 2006 (MCST, 2008: 33), and to 16,462 billion KRW in 2015 (MCST, 2017: 63).

A similar trend can be detected in the value of the industry's export. Until 2000, the total amount of export of the Korean broadcasting industry had been less than 20 million USD a year, but increased rapidly to more than 100 million USD in 2005 and to more than 320.4 million USD in 2015 (MCST, 2008: 325; 2017: 71). Among the exporting programs, TV dramas have been very popular among East Asian countries from the late 1990s, initiating a boom of Korean popular culture, the so-called "Korean Wave" in many countries in the world (Yang, 2007; 2012).

The music industry has been immensely affected by development of digital technology. The traditional record market, where LP, MC and CD were main items, has been rapidly declining since 2000, with the total sales reduced from 410 billion KRW in 2000 to 134 billion KRW in 2004. On the other hand the total sales of the digital music market including bell-sound download service, background music of mini home page service, and on-line music streaming service has increased five-fold from 45 billion KRW in 2000 to 201 billion KRW in 2004. Likewise, the international trade of re-

corded music has been diminishing since 2000. Korea exported about 10.3 billion KRW of recorded music in 2000, but only 6 billion KRW in 2004 (MCT, 2006: 250-255). The recent change in the music industry is often described as a paradigm shift from analogous to digital music, and from record-centered to source-centered.

Paradigm shift is also detected in the styles and contents of popular music in Korea. Until the early 1990s, Korean popular songs were mostly sentimental love songs, known as ballads, the lyrics of which “conformed to standard romantic themes and avoided sexual connotations, concentrating on sentiments similar to the songs of earlier generations” (Howard, 2002: 83). However, in the late 1980s and early 1990s, the mainstream popular music was diversified through the introduction of modern Western, especially American styles of pop songs by younger musicians.

On the other hand, the new civilian government that took power in 1993 loosened the censorship on popular culture, and allowed the change in styles and lyrics of pop songs. As a consequence, the domestic popular music (K-pop) began to dominate the popular music market, as seen in the changes of its market share, from about 71 percent in 1996 to 81 percent in 2010, in contrast to the decreasing share of American pop music in the Korean market from 24 percent in 1996 to 17 per cent to 10.4 percent in 2010 (Jin, 2016: 115). Equipped with the international styles and standards, and with the strategic marketization of K-pop stars who were trained systematically by major entertainment companies, K-pop has begun to be exported to foreign markets and “became one of the main components of the Korean Wave” (Shin, 2009: 507).

But K-pop hardly penetrated foreign markets until well after the new millennium, probably because of the world-wide economic recession. The Korean music industry has regained its momentum again since 2010, and its export has been increasing exponentially, from 83.2 million USD in 2010 to 381 USD million in 2015 (MCST, 2014: 45; 2017: 71). However, the major consumers of K-pop have been East Asian customers; more than 90 per cent of the export went to East Asian countries, and less than 3 per cent to Europe and America in the same year (MCST, 2017: 117). But there are signs that show K-pop is gaining ground in other regions than Asia. A successful concert of K-pop idols in Paris in 2011 and the phenomenal popularity of Psy’s “Gangnam Style” in the global music market in 2012 are just two of

the examples, indicating the increasing penetration of K-pop into international markets beyond Asia. Especially the enormous and immediate fame accorded to Psy was attributed to the utilization of social media such as YouTube and Facebook, pointing to the increasingly important role of social networking sites as a major tool for spreading popular music (Jin, 2016: 121-122).

All in all, the Korean music industry has recently grown immensely. Its total sales have grown from 2.96 trillion KRW in 2010 to 4.97 trillion KRW in 2015 with the annual growth rate of 11.3 percent, which is compared with less than 4 percent of the annual GDP growth rate for the same period. The growth rate of the industry's export has been even more remarkable; it has grown by 41.6 percent per annum, from 83.2 million USD in 2010 to 381.0 million USD in 2015 (MCST, 2017: 63, 71).

It is now clear that the Korean cultural industries, whether you call it content industries or creative industries, have made a great leap forward since the late 1990s, when the newly achieved political democracy and economic liberalization opened wide the door to the newly emerging industries. And the economic crisis in 1997 made the government to reconsider the manufacture-centered industrial policy and to turn to the information and knowledge-based industry as a new growth engine.

More specifically, bigger investment, keener competition and strong government support along with favourite politico-economic environments have transformed the Korean cultural industries to a great extent for the past two decades. It was only 1998 that the government produced the first comprehensive statistics on cultural industries. At that time, 10 categories, publishing and printing, films, video, animation, game, recorded music, newspaper and magazines, broadcasting, advertising, and character, crafts and so on were included in the cultural industries. But beginning from 2004, such new categories as Internet and mobile content (2004), digital education and information (2005), edutainment (2009), knowledge and information, and content solution (2010) have been included in the government statistics, and the content industries instead of the cultural industries were officially used since 2010, heralding the coming of information age (MCT, 1997; 2004; 2005b; MCST, 2010; 2011).

The domestic market for the Korean cultural industries in 1998 was estimated to be 152 billion KRW, which is equivalent roughly to 1.2 percent

of the world market (MCT, 2000: 74). During the period of 1998-2003, the total sales of the Korean cultural industries grew on the average 21.1 percent per year (MCT, 2002: 28), but slowed down since then. It was 7.3 percent for the period of 2003-2007 (MCST, 2009: 23), 6.4 percent for 2007-2012 (MCST, 2013: 64), and 4.7 percent for 2012-2015 (MCST, 2017: 63). Still it has grown faster than GDP. A similar pattern, but much higher rates than the total sales, can be detected in the exports of Korean cultural industries during the same period. Korean cultural industries exported their goods and services worth 630 million USD in 2003 (MCT, 2006: 38). But it was 15.5 billion USD in 2007 (MCST, 2009: 36), growing 33.6 percent per year on the average for the four year period. The annual growth rate slowed down to 18.5 percent for the next five years from 2007 to 2012 (MCST, 2013b: 74), and to 7.1 percent on the average for the period of 2012 to 2015, when the Korean cultural industries exported their products worth 56.6 billion USD (MCST, 2017: 71).

Among the cultural industries, the publishing industry was the largest, comprising 20.4 percent of the total sales of the cultural industries as a whole in 2015, followed by the broadcasting (16.4%), the advertising (14.4%), the knowledge and information (12.3%), the game (10.7%), and the character (10.0%). The relative share of each industry in the total sales has been stable during the five year period of 2011-2015 (MCST, 2017: 63).

In terms of growth rate, such internet-related industries as content-solution and knowledge-information have grown faster than more traditional industries such as publishing, music and broadcasting. During the five-year period of 2010-2015, the content-solution industry has grown the fastest among the 11 content industries at 10.7 percent annually, followed by character (8.7%), knowledge-information (8.1%). Among the eleven content industries, publishing was the only industry experiencing a decrease (-0.9%). Publishing was still the largest among the 11 content industries, comprising about one fifth of the total sales of the content industries in 2015. Broadcasting was the second largest with its share of 16.4 percent in the total sales, followed by advertising (14.4%), knowledge and information (12.3%) and game (10.7%) (MCST, 2017: 63).

These statistics seem to clearly show that a knowledge and information-based society is coming fast with the rapid development and penetration of ICT in Korea, and her economy has been transforming toward that direction.

V. Discussion

This paper tries to demonstrate that the transformation of the Korean cultural industries for the last two decades was deeply embedded in the political economy of Korea, by closely looking at the nation's economic and industrial transformation and the changes in the cultural and cultural industry policies. It seems to be a success story in terms of the development of the cultural industries as a whole. Thus, an attentive observer holds that Korea is "an emerging center of world cultural industries" (Lee, 2016: 439).

As seen above, the Korean cultural industries (or content, creative industries) have been growing fast and increasingly becoming the main stay in the Korean economy. However, it is not an easy task to precisely evaluate the effects of their growth because the concept of cultural industries and their boundaries have been changing. Still there have been attempts to evaluate economic effects, especially their contribution to the national economy. Many economic studies suggest positive contributions, but some indicate negative effects, depending on the methods and date used (Chung and Lee, 2014; Kim, 2000; Shim, 2013).

One of the moot points discussed in the debates regarding the effects of the rise of cultural industries is the neoliberalism inherent in the concept. Those who have leftist ideas such as neo-Marxists tend to criticize the neoliberal economic policies as exploitive and deepening inequality, while those who have more conservative ideas emphasize the free and competitive markets that would encourage innovation and help the economy grow fast. For example, a progressive scholar strongly argues that the Korean Wave was possible because the 'social' as opposed to 'economic' nature of the Korean popular culture could be maintained through democratization movements, and that the better life will not be available unless neoliberalism is overcome in his discussion on the Korean Wave (Kang, 2007). In a different study, Parc (2017) argues for the neoliberal, *laissez-faire* policy rather than the protective one in the Korean film industry. His detailed examination of the Korean government's protectionist and supportive policies, such as quota system, subsidies and tax breaks, and market and investment regulations, revealed that these have been negative or no effects on the Korean film industry. Rather pro-competitive and

market oriented, thus neoliberal, policies have been more crucial for the industry's success.

These two studies are concerned with the same topic, neoliberalism in the cultural industries, but deal with different aspects, the former, the social and political, and the latter, economic, and come up with opposite conclusions. Since the cultural industries are both economic and cultural, we should be concerned not only with their economic aspects but also social, political and cultural aspects. Since existing studies have been mostly about their economic aspects, we should pay more attention to these other aspects.

It has been argued that neoliberal policies tend to remove such socio-economic problems as unemployment and poverty from policy concerns, and to ignore the problems of job security, the casualization of work, deepening inequality and the decline of wages, that would critically affect one's overall wellbeing (Lee, 2016). Since without adequate social welfare provisions and social security there could be no creativity realized, a creative economy requires justice and equality in the distribution of wealth and enhancing social welfare. Also it is pointed out that the discourse of knowledge economy rarely asks the political questions about knowledge itself, such as what kind of knowledge, knowledge for whom and why (Lee, 2016).

Finally there are cultural factors of the cultural industries. While the economic and industrial factors are given priorities, the industries' cultural aspects tend to be neglected. The issues regarding the diversity, accessibility, and decentralization of culture are not usually raised in the cultural industries policies. Of course, to encourage creative industry and to support economic vitality are also important functions of culture. But preserving national or local identity and unity, giving a meaning(s) to life, and above all keeping a stable group life by providing values and norms are often conceived to be primary functions of culture in a society. There are studies indicating that the problems of cultural well-being and cultural divide are still serious in Korea (Chang and Kim, 2014; Seo and Kim, 2010). The question is that, given the present tendency of economizing culture, could the cultural industries fulfil these cultural functions? If yes, to what extent? And how?

As a conclusion I like to raise the question of the relationship between

culture, economy and the state. The process of the transformation of the Korean cultural industries can be interpreted as a case of cultural turn. In the process of cultural turn, culture has been very much economized and technologized, as amply demonstrated in the above analysis. The economized and technologized culture provided the principles for transforming the society and the economy toward the information society and knowledge-based economy. In the course of this cultural turn the state has been an overarching guider, regulator and facilitator, and culture has been put forward as an important object of government policy. The economic logic seems to have prevailed in the relationship between the economy and culture, much more than the cultural logic. The question is that: If such economic principles as profitability, efficiency, competitiveness and marketability prevail in the cultural sector, how does culture fulfil its own functions such as identity-forming, meaning-giving and community-building on the basis of such cultural principles as creativity, autonomy and substantive value?

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