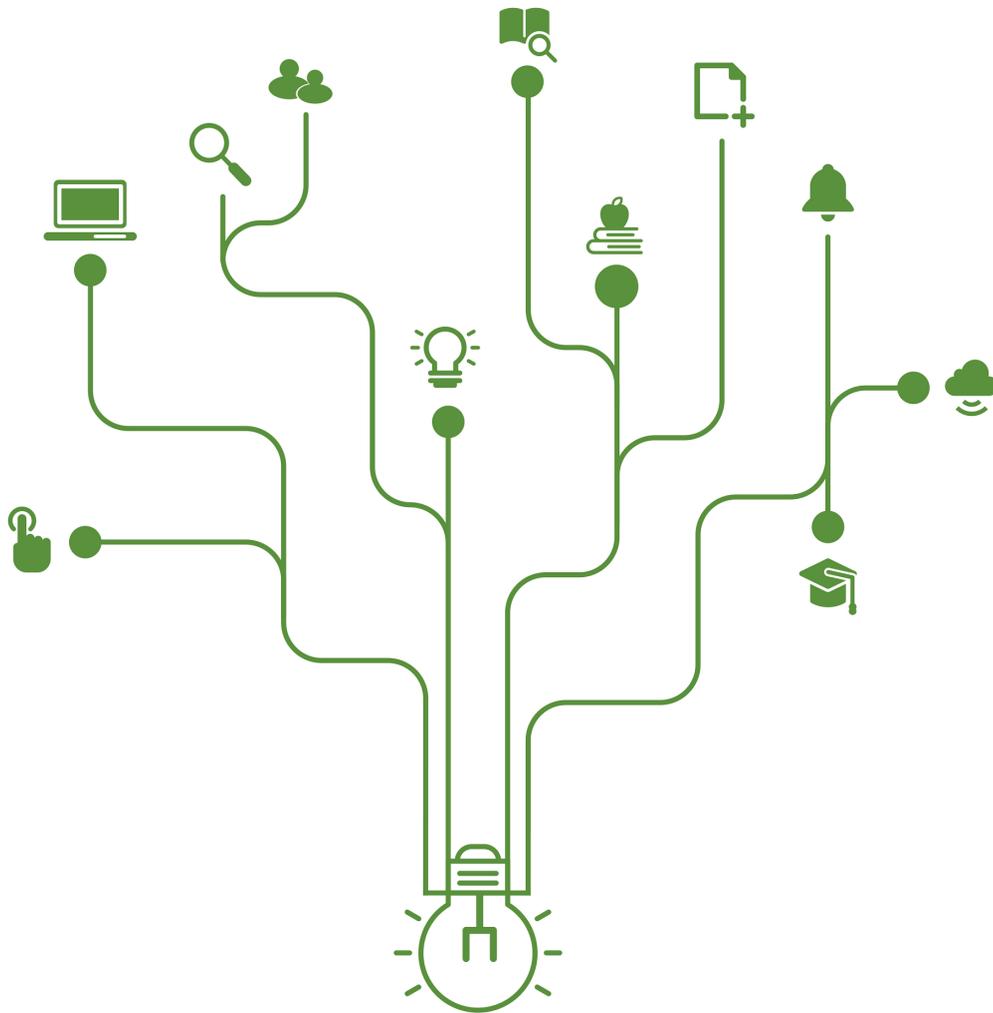


Foreign Assistance and Economic Development in Korea

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Executive Summary in Korean

제1장 머리말

2차 세계대전 후 현재까지 막대한 양의 원조가 주로 선진국으로부터 개발도상국들에 제공됐다. 하지만 원조를 받은 개발도상국들 중 실제로 제공된 원조로부터 기대됐던 만큼의 경제 발전에 성공한 나라는 흔치 않다. 이에 따라 ‘원조 무용론’이라고 할 수 있는 비판이 학계에서 꾸준히 제기됐고 대표적인 예로 Collier (2007), Easterly (2006), Moyo (2009) 등을 들 수 있다. 그만큼 원조 효과성과 그 요인을 밝히는 것은 개발경제학의 이론적, 실천적 측면에서 중요한 논제라고 할 수 있다. 예컨대, Burnside and Dollar (2000, 2004)는 과거 원조 경험을 데이터로 한 계량 분석을 통해 원조 효과성을 좌우하는 요인으로서 정부의 책무성을 강조했고 이것은 이후 원조 제공의 준거로서 많은 나라와 국제기구에서 받아들여졌다.

한국 경제는 1950년 발발한 한국전쟁의 피해를 복구하고 부흥하는 과정에서 막대한 양의 원조를 주로 미국으로부터 제공받았다. 그리고 1960년대 중반 이후 고도성장을 거쳐 최근에는 GDP 기준 세계 10~15위의 경제대국이 됐으며 개발도상국들에게 적지 않은 원조를 주고 있다. 이처럼 한국은 개발도상국 중 경제발전에 성공하여 원조 수혜국에서 공여국으로 변신한 대표적이고 드문 예라고 할 수 있다. 따라서 한국의 원조수혜 경험을 활용한 분석은 한국경제사뿐만 아니라 원조 효과성에 관한 이론적, 실천적 논의에서도 매우 중요한 것이다.

하지만 그 중요성에 비해 한국 경제성장에 원조가 미친 영향에 관한 실증연구는 답보상태에 있다. 원조의 전성기였던 1950년대 한국 경제를 실증적으로 분석하는 데 활용할 수 있는 자료가 매우 부족한 것이 주된 이유이다. 그러한 가운데 1950년대의 미진한 성장 실적이 1960년대 이후 고도성장과 대비되면서 부패나 지대추구행위 같은 원조에 대한 부정적 이미지가 단편적 관찰에 기초해 받아들여지고 있다. 과거 자립경제론이 유행하던 때의 연구들, 예컨대 홍성유(1965), 이대근(1987)은 주로 원조가 경제 구조를 왜곡시켰다고 주장했다. 한편 성장론적 관점의 연구들도 환율 왜곡에 따른 원

조자금 배분의 비효율성을 지적했다. 대표적인 예로 Krueger(1979), Cho(1996), 김낙년(1999)을 들 수 있다.

최근 김두열 & 류상윤(2014)은 공적개발원조 규모의 국제 비교를 통해 흥미로운 지적을 내놓았다. 즉 한국이 받은 원조는 1인당, GDP 대비 등과 같은 몇 가지 기준에서 다른 나라와 비교해봤을 때 압도적인 양이 아니며 따라서 한국 경제가 원조의 드문 성공 사례가 된 이유는 원조의 효율적 활용에서 찾아야 할 것이라고 했다. 원조의 효율적 활용은 원조 자금의 배분과 깊이 연관되어 있다. 어떤 산업과 어떤 기업에 얼마만큼의 자금이 어떠한 조건으로 배분됐는지가 그 산업과 기업의 성장에 영향을 미치기 때문이다. 또한 배분 과정에서 부패나 담합이 발생한다면 원조의 효과는 그만큼 약화될 수밖에 없다.

한국에 대한 해외로부터의 원조는 1945년 미군정이 실시되면서부터 제공되기 시작했지만 경제 부흥을 위한 원조가 본격화된 것은 1954년부터였다. 미국의 대외 원조기관인 FOA(Foreign Operations Administration, 대외사업처)는 휴전을 맞이하여 미국의 1954 회계연도(1953년 7월~1954년 6월)부터 대한 원조사업을 개시했는데, 한국과의 협의가 지연되면서 본격적인 원조 제공은 1954년부터 시작됐다. FOA와 그 후신인 ICA(International Cooperation Administration, 경제협조처)는 1950년대 후반 매년 2억 달러 이상의 원조를 한국에 제공했고 여기에 UNKRA 원조, 잉여농산물 원조인 PL 480 원조까지 포함하면 1957년 한 해에는 3억 8천만 달러라는 연간 최대 금액이 제공되기도 했다. 원조 금액은 이 해를 정점으로 감소해 1960년대에는 1억 달러대로 낮아졌다. 1950년대 한국 경제를 흔히 '원조 경제'라고 부르는 이유가 여기에 있다.

FOA/ICA 원조는 프로젝트 원조(project assistance)와 비프로젝트 원조(non-project assistance)로 구성되었다. 프로젝트 원조에서는 특정한 프로젝트를 수행하기 위해 필요한 수입품과 자문 서비스 등이 원조로 제공됐다. 한편, 비프로젝트 원조는 한국 경제에 필요한 특정 수입품을 정해진 액수만큼 제공 받는 것으로 크게 농산물, 연료, 원료 및 반제품, 판매용 투자재로 구성돼 있다. 초기 원조 협상에서 한국측이 자본재로서의 성격이 강한 프로젝트 원조 비중을 늘릴 것을 요구하고 미국측은 물가안정 차원에서 비프로젝트 원조를 주로 할 것을 주장해 갈등이 일기도 했다. 결국 미국측 요구대로 비프로젝트 원조가 대부분을 차지하게 됐다.

FOA/ICA 원조는 한국 기업들의 적극적인 참여를 필요로 하였다. 특히 비프로젝트 원조의 경우 원조기관은 자금을 제공하고 실제 물자의 수입은 한국 기업들이 담당하는 형태가 일반적이었다. FOA/ICA 원조 중에서도 프로젝트 원조는 사회간접자본이 중심이었기 때문에 광공업도 포함돼 있기는 하지만 상대적으로 소액이고 중소기업 자금을 제외하면 충주비료공장 등 소수의 탄광, 공장의 복구 및 건설 자금이 주를 이뤘다. 그러한 점에서 프로젝트 원조가 당시 한국 기업들에게 미친 영향은 제한적이었다고 할 수 있을 것이다. 반면 비프로젝트 원조는 금액도 프로젝트 원조보다 많을 뿐 아니라 자금 배분에 수많은 기업들이 참여할 수 있었고 대체로 시장 환율보다 유리한 조건으로 배분이 이뤄졌기 때문에 많은 기업들에게 혜택이 돌아갈 수 있었다.

따라서 원조 자금 배분이 한국 경제 성장에 어떻게 영향을 미쳤는가를 분석하는 데 있어서 비프로젝트 원조가 어떤 기업들에게 어떤 조건으로 분배됐는지를 파악하는 것은 매우 중요하다. 실제로 미국 해외 원조기관이 생산한 문서들 중에는 비프로젝트 원조 자금 배분의 기업 레벨 자료가 포함돼 있다. 본 연구에서는 이들 자료를 발굴하고 데이터베이스로서 구축한 후 그것을 활용해 지금까지의 1950년대 원조 경제에 대한 이해를 재검토해 보았다.

제2장 자료

본 연구는 국내 자료 부족이라는 제한을 극복하기 위해 미국 국립문서기록관리청(National Archives and Records Administration)에 보존된 당시 미국 해외 원조기관 문서를 활용한다. 1950년대 미국 원조기관은 한미합동경제위원회를 통해 경제정책에 깊숙이 개입했으며 그 과정에서 방대한 자료를 생산했다. 그 가운데는 매번의 원조자금 배정에 관한 상세한 자료도 포함돼 있다.

자료를 설명하기에 앞서 이해를 돕기 위해 당시 FOA/ICA 원조 자금의 배분 절차와 구매 형식에 대해서 간략히 설명하면 다음과 같다. 미국 의회의 심의를 거쳐 확정된 각국별 원조 프로그램에 기초해 한국 정부는 워싱턴 원조당국에 항목별로 FR(Firm Request)을 발송한다. 워싱턴 원조당국은 FR을 검토하고 PA(Procurement Authorization)를 발부해 한국 정부로 보낸다. 이때 PA는 원조 자금 배분의 단위로서 입찰과 같은 배분 과정이 이 단위별로 진행된다. 『무역연감』의 추진상황 표나 입찰상황 표를 보면 각 PA별로 '구매 형식'이 지정돼 있다. 구매 형식은 4가지로 나뉘는데 A. 미국기관에 의한 구매, B. 일반 민수 구매, C. 실수요자 구매, D. 대한민국 외자청 구매이다.

'B. 일반 민수 구매'와 'C. 실수요자 구매'는 한국은행을 통해 민간 기업이 자금을 배분 받는다는 점에서는 똑같았지만, 실수요자 구매는 PA 발급과 동시에 배분 받을 기업이나 기관(협회 등)이 주로 해당 품목을 가공하는 제조업자로 확정되는 반면에 일반 민수 구매는 한국은행이 무역업체도 참여할 수 있는 입찰이나 추첨 절차를 거쳐 배분 기업을 정하는 점이 달랐다. 예컨대, 원면은 1958 회계연도까지 대표적인 실수요자 구매 대상 품목이었는데 대한방직협회가 실수요자가 돼서 자금을 받은 후 회원사들에게 다시 배분했다. 실수요자 구매는 경쟁을 거치지 않을 뿐 아니라 자금 배분에 시장환율보다 고평가된 공정환율이 적용됐기 때문에 특혜라는 비판이 많았고 결국 1959 회계연도부터는 폐지됐다. 하지만 실수요자 구매에서 일반 민수 구매로 전환된 경우에도 일정한 시설을 가진 자, 협회에 등록된 자 등과 같은 입찰 참가 자격 제한이 더해지기도 해 완전한 자유 경쟁 입찰로 전환됐다고 보기는 어려웠다. 일반 민수 구매와 실수요자 구매의 경우 수입권은 민간 기업에게 배분됐지만 달러가 직접 이들에게 전달된 것은 아니었다. 달러 지불은 미국 원조당국이 직접 해당 품목의 수출업자(해외)에게 했고 원조 자금을 배분받은 한국 기업은 그만큼의 달러에 상당하는 한국 화폐를 한국은행에 납입했다.

이처럼 미국 원조는 외화가 부족한 상황에서 한국 기업들이 원조 프로그램에 포함된 물품을 수입해 가공하거나 팔 수 있는 사업 기회를 제공했다. 또한 고평가된 공정환율로 자금을 배분받은 실수요자 구매(C)뿐만 아니라 일반 민수 구매(B)의 입찰에서도 낙찰 환율은 당시 수출을 통해 번 달러가 거래되던 전매율(일종의 시장 환율)보다 낮았기 때문에 낙찰 받은 기업들은 환율 이득도 누릴 수 있었다.

본 연구는 그 중에서도 금액이 훨씬 더 컸을 뿐만 아니라 많이 한국 기업들이 자금을 배분받을 수 있었던 일반 민수 구매(B)에 주목한다. 일반 민수 구매 자금의 구체적인 배분 방식은 한국 정부의 외환, 재정 정책과 미국 원조당국과의 협의에 따라 여러 차례 바뀌었다. 1954년 최초로 일반 민수 구매 자금 배분이 시작됐을 때는 일종의 환율 입찰 방법이 도입됐다. 원조 자금 1달러당 원화 환율을 가장 높게 쓴 입찰자에게 자금이 배분되는 것으로 인플레이션을 막기 위한 원화 회수와 재정(대총자금) 확충을 위한 것이었다. 그런데 1955년 8월 1달러당 500환의 이른바 ‘단일환율’이 도입된 후로는 환율 정책 차원에서 일반 민수 구매에도 500:1의 공정한환율이 적용됐다. 1957년 들어 강력한 재정안정계획이 실시되는 상황에서 세입 확충을 위해 정부는 원조 자금을 배분 받은 기업에게 국채 매입을 강요하기 시작했다. 1957년 5월 한미간의 합의로 일반 민수 구매 자금 배분에 ‘국채 첨가제’라는 입찰 방식이 도입됐다. 국채를 많이 사는 기업에 자금을 배분하는 것으로 사실상 우회적인 환율 입찰이었다. 배분 방식은 1958년 5월에 임시외환특별세법이 제정된 후 다시 ‘외환세 부가제’로 변경됐다. 국채를 많이 사기로 한 기업이 아니라 외환세를 많이 내기로 한 기업에게 자금이 배분되는 입찰 방식이었는데 좀더 직접적인 재정 확충 방식이었다. 이로써 일반 민수 구매 낙찰을 받은 기업에게 사실상의 환율은 공정한환율 + 외환세가 됐다. 외환세 부가제는 1961년 임시외환특별세법이 폐지될 때까지 계속됐다.

필자들은 미국 국립문서기록관리청에 보존돼 있는 미국 해외 원조기관 문서를 열람하던 중 기업 레벨의 원조자금 배분에 관한 자료를 발견할 수 있었다. Small Business Circular, Weekly Reports of Subauthorizations, Daily Report on Allocation of ICA Funds 등의 자료가 바로 그것이다. 필자들은 KDI School의 지원을 받아 NARA에 직접 두 차례에 걸쳐 현지조사를 실시했다. 이후 2016년 7월까지 미국 현지 RA가 촬영한 6천매 이상의 디지털 사진을 인터넷을 통해 받아 정리했다. 한편, 관련 자료가 국내외 도서관에 소장되어 있지 않은지 검색하던 중 미국 워싱턴 대학 도서관에 1950년대 Small Business Circular가 소장돼 있는 것을 알게 되었다. 이 자료는 해당 대학을 다니는 RA를 고용하여 스캔 후 PDF 파일로 받을 수 있었다.

Small Business Circular는 미국 해외 원조기관의 중소기업국에서 발행하는 정기간행물로 표제 밑에 적힌 “Trade Opportunity for American Suppliers”라는 문구에 잘 드러나듯이 미국 원조 자금을 활용한 구매에 미국 기업들 특히 중소기업들이 수출자로서 참여할 수 있도록 정보를 제공하는 것이었다. ICA Regulation 1은 섹션 201.13에서 원조 자금 배분을 받은 수입업자에게 ‘Information for Office of Small Business/ICA’의 의무를 규정했다. FOA/ICA의 중소기업국은 이렇게 각국으로부터 받은 정보를 모아 SBC라는 정기간행물의 형태로 출판해 미국 기업들에게 정보를 제공했다. SBC는 발간 당시에는 미국의 주요 도서관에 폭넓게 배포됐던 것으로 보이지만 현재까지 보존돼 있는 곳은 드물다. NARA의 RG 469, 엔트리 UD 1073에는 초기부터 1957년까지의 SBC가 일부 결호는 있지만 보존돼 있다. 그리고 앞서 언급한 것처럼 워싱턴대학 도서관에는 1955년 11월부터 1961년 11월까지의 SBC가 마찬가지로 일부 결호는 있지만 보존돼 있다.

Weekly Reports of Subauthorizations는 한국은행이 중소기업국에 보고한 리스트였다. 1956년 12월 미국 원조기관의 한국 사무소는 부흥부 담당자에게 편지를 보내 워싱턴 본부의 요청 사항이

라면서 중소기업국의 출판물을 위해 SA에 관한 주간 보고서를 받을 수 있는지 문의했다. 다음해 1월 부흥부 담당자는 답장을 보내 한국은행에서 해당 보고서를 매주 작성해 워싱턴으로 직접 보내고 한국 사무소로도 보내겠다고 했다. 현재 확인되는 최초의 Weekly Report는 1957년 2월 11일부터 16일까지를 대상으로 한 것이다. 한편, 워싱턴측은 Weekly Report를 받아 Financed Awards라고 하는 중소기업국의 다른 출판물에 신기도 했다. 한국은행에서 작성한 원본으로 남아 있는 것과 Financed Awards에 복제 출판된 것으로 현재 확인되는 것은 모두 1957년의 19주분이다.

위 두 자료가 미국 기업들에게 수출 기회를 제공하고자 하는 중소기업국의 관심에 의해 만들어진 것이라면 Daily Report on Allocation of ICA Funds는 미국 해외 원조기관 한국 담당자들의 주요 관심사였던 한국 환율정책과 관련하여 일반 민수 구매 자금 입찰의 환율 분포를 파악하고자 요청된 것이었다. 따라서 국채 첨가액, 외환세 첨가액과 같은 배분 조건에 관한 정보가 포함돼 있는 것이 다른 두 자료와 비교되는 가장 큰 특징이다. Daily Report는 입찰 가격 즉 환율 정보까지 기록돼 있어서 본 연구에 가장 적합한 자료이지만 1956년 12월부터 1960년 9월까지의 46개월분 중 21개월분만 현재 확인된다. 그 중에서도 1959년 Daily Report는 12개월분 모두가 남아있다.

제3장 원조 자금 배분과 기업

앞 장에서 소개한 자료들은 원조 자금 배분의 기업 레벨에서의 실태를 보여주는 것들이다. 본 장에서는 이들을 활용하여 1950년대 원조의 경제적 효과에 관한 기존 연구의 이해를 재검토해보고자 한다. 먼저 1950년대 원조 자금 배분과 관련하여 기존 연구가 지적하고 있는 문제점 중 하나는 정부의 '자의적' 배분과 그로 인한 부패이다(Cho 1996: 210; 김낙년 1999: 138). 그런데 앞 장에서 살펴본 대로 원조 자금 중에 비중이 높았던 일반 민수 구매의 경우 제도상으로는 추첨이나 입찰과 같은 객관적 기준에 의해 배분이 이루어지도록 돼 있었다. 물론 자금 배분의 공정성은 제도나 평균적인 수치로 이야기하는 데는 한계가 있으며 기업 레벨의 자료를 통해 직접 확인해야 할 것이다. 지금까지 기존 연구의 이해가 무비판적으로 받아들여졌던 것은 공정성을 검토할 수 있는 미시 자료가 없었기 때문이기도 하다.

앞에서 소개한 세 종류의 자료 중 원조 자금 배분의 공정성을 확인하는 데 가장 유용한 것은 입찰의 결과를 담고 있는 Daily Report이다. 여기에는 낙찰 받지 못한 입찰자에 관한 정보도 포함되어 있어서 각 기업이 몇 번 입찰했고 몇 번 성공했는지를 알 수 있다. 또한 낙찰 조건(금액, 가격=환율)도 알 수 있기 때문에 낙찰 받은 기업이 원조 자금 배분으로부터 어떤 이득을 얻었는지를 계산해볼 수 있다. 그런데 원조의 품목이나 금액에서 월별 편차가 존재할 수 있으므로 여기서는 12개월분이 모두 남아 있는 1959년만을 분석 대상으로 했다.

한편, 1950년대 원조 자금이 각 기업에 배분되는 과정이 상당히 경쟁적이고 공정했다고 한다면 원조가 한국 경제 성장에 미친 영향을 검토할 때도 지금까지와는 다른 접근이 가능할 것이다. 바로 원조와 기업 성장의 관계를 분석하는 것이다. 기업은 생산의 주체이며 기업의 성장은 경제 성장과 깊은 관련을 가지고 있다. 그런데 1960년대 이후 고도성장기에 활약한 기업들 중 해방 이전에 기원을

가진 것들이 소수에 불과하다는 점을 고려하면 기업 성장에 원조가 미친 영향을 실증적으로 고찰하는 작업은 매우 중요하다고 할 수 있다. 지금까지는 원조 자금 배분이 특혜와 부패로 얼룩져 불공정하게 이루어졌다고 봤기 때문에 그로 인한 기업의 성장 또한 부정적으로 평가하는 경향이 강했다. 문제는 기업의 재무상황을 알 수 있는 자료가 1960년대까지는 거의 존재하지 않는다는 것이다. 가장 이른 것이 한국 생산성 본부에서 발행한 『1973년 기업조사총록』으로 주요 기업의 1970~72년 3개년간의 자산이나 매출액 정보가 실려 있다. 따라서 여기서는 원조가 기업 성장에 미친 장기 효과에 초점을 맞추어 분석해보았다.

분석 절차는 다음과 같다. 1959년 12개월의 Daily Report에는 기업명이 영어로 실려 있는데 한 기업이 서로 다른 이름으로 되어 있는 경우도 많아 식별 작업이 필요했다. 식별에는 한글로 된 1950년대 여러 기업 명부를 활용했다. 대한상공회의소에서 발행한 1956년과 1958년의 기업 명부, 한국무역협회에서 작성한 등록 무역업자 명부, 1959년 재무부에서 발행한 법인세 징세용 법인 명부 등이다. 이 중 등록 무역업자 명부는 한글 기업명과 영문 기업명이 병기돼 있어서 유용했다. 이렇게 해서 전체 6천여 개 입찰자 중 77%는 한글 기업명을 확정할 수 있었다. 이들 기업에 대해서는 역시 기업 명부를 활용해 업종도 확정했다. 업종 분류는 대한상공회의소의 기업 명부에 준했다.

공정성을 검토할 때 활용했던 각 기업별 변수는 입찰 횟수, 성공률, 평균 외환세, 평균 외환 이득, 받은 총 원조액, 지대였다. 1959년의 일반 민수 구매 자금은 외환세 경쟁 입찰에 의해 배분되고 있었는데 공정한 환율인 500환(달러당)에 외환세를 더한 만큼이 입찰 환율 즉 입찰 가격에 해당했다. 1950년대 외환은 한국은행에서 집중 관리를 했는데, 외환을 가진 자는 반드시 한국은행에 계좌를 만들어 그곳에 예치해야 했다. 당시 공정 환율은 한국 화폐를 과대평가하는 것이었기 때문에 수출을 통해 달러를 벌어들인 기업은 공정한 환율로 환전을 하기보다는 자기 계좌에 예치해 두었다가 달러가 필요한 기업에게 일정한 대가를 받고 팔기(이체하기)를 선호했다. 이 과정에서 형성된 가격을 수출 달러 환율이라고 불렀는데 이것이 당시 대표적인 시장 환율이었다. 1959년에 실시된 입찰의 최고 낙찰 환율은 시장 환율과 유사한 추세를 보였는데 이것은 입찰자들이 시장 환율을 의식하고 있었다는 것을 보여준다. 최저 낙찰 환율은 공정한 환율보다 150환 높은 650환이었는데, 이는 당시 조세 수입을 늘리기 위해 한국 정부가 최저 150환(달러당)의 외환세를 거두었기 때문이다. 평균 낙찰 환율은 시장 환율과 공정한 환율의 사이에 형성됐다. 따라서 원조 자금을 배분 받아 수입을 하는 기업은 시장에서 달러를 사서 수입하는 기업과 비교했을 때 시장 환율과 낙찰 환율의 차이만큼 이득을 누릴 수 있었다. 여기에 총 받은 원조액을 곱한 만큼을 해당 기업이 원조 자금 배분으로부터 얻은 지대로 간주할 수 있을 것이다.

공정성을 검토할 때 또 한 가지 중요한 변수로 활용한 것이 1959년 법인 명부에 실린 자본금이다. 규모가 큰 기업일수록 정부와의 관계를 통해 불공정 행위를 할 가능성이 높다는 점을 고려한 것이다. 다른 재무 정보를 알 수 없는 상황에서 유일하게 활용할 수 있는 것이 자본금이며 이것은 법인 명부에만 실려 있으므로 위에서 만든 DB를 1959년 법인 명부와 링크했다. 당시 자본금은 식민지 시대의 유산으로 공칭 자본금과 납입 자본금이 구별되었는데 이 중 납입 자본금을 활용했다. 그리고 1959년 법인 명부의 설립년 정보로부터 기업의 나이를 계산해 그것도 활용했다. 오래된 기업일수록

자본금에 반영되지 않은 노하우가 있을 수 있기 때문이다.

다음으로 원조가 한국 기업의 성장에 미친 장기적 효과를 분석하기 위해 위에서 만든 DB를 다시 『1973년 기업조사총록』과 링크하였다. 1970년대 초반 기업의 규모를 대표하는 변수로는 매출액, 자기자본, 종업원수를 활용하였고 수익률을 대표하는 변수로는 자기자본 수익률(ROE), 자기자본 대비 매출액, 종업원 1인당 순이익, 종업원 1인당 매출액, 순이익, 그리고 1959년 대비 자본금 증가율을 활용했다. 모든 변수는 1970-72년 평균치를 사용했다.

원조자금 배분에 참여한 2,112개 기업의 평균 입찰 횟수는 1959년 한 해 3.5회였고 평균 성공률은 53%였다. 낙찰 받은 경우 평균 외환세는 달러당 361환이었고 시장환율과의 차이에서 발생하는 외환이득의 평균은 달러당 401환이었다. 평균 낙찰 금액은 5만 달러, 이로부터 발생한 지대는 241만 환이었다. 1959년 법인명부, 1973년 기업조사총록과 모두 연결되는 184개 기업의 경우 평균 입찰 횟수는 9.1회로 훨씬 더 많았지만 성공률은 64%로 조금 높은 정도였다. 눈에 띄는 것은 1973년까지 살아남은 기업들과 그렇지 못한 기업들이 얻은 평균 지대의 차이이다. 살아남은 기업의 평균 지대 값이 더 컸던 것을 알 수 있다. 이것은 원조 자금 배분이 기업의 생존과 존속에 플러스 영향을 미쳤을 가능성을 시사하는 것이다.

이상의 자료를 이용하여 기업 레벨의 회귀 분석을 통해 먼저 1959년 원조 자금 배분의 공정성을 분석해보았다. 종속 변수인 입찰 결과는 외환세, 외환이득, 성공률, 지대의 4 가지를 각각 사용하였다. 설명 변수로는 1959년 자본금을 사용하였다. 사용한 것이다. 종속 변수 중 외환세, 외환이득, 성공률은 자본금과 양의 관계가 발견되지 않았다. 성공률은 다른 통제변수를 사용하지 않았을 때는 자본금이 클수록 오히려 유의미하게 낮아지는 모습을 보였다. 기업의 나이, 낙찰 횟수, 업종을 통제 변수로 사용하면 성공률과 자본금의 유의미한 관계는 사라졌고, 성공률이 낙찰 횟수와 음의 관계에 있음이 발견되었다. 이것은 규모가 큰 기업일수록 낮은 성공률을 감수하고서라도 더 많이 응찰을 했을 가능성을 시사한다. 종속 변수 중 지대는 유일하게 자본금이 클수록 유의미하게 커지는 모습을 보였지만 이 역시도 통제 변수를 도입하면 유의미한 관계가 사라졌다. 지대 역시 낙찰 횟수의 영향을 받은 것을 알 수 있는데, 규모가 큰 기업일수록 많이 응찰을 했기 때문에 많은 지대를 얻을 수 있었던 것이다.

이처럼 기업의 초기 조건이 외환세나 외환이득에 영향을 미치지 못했다는 것은 원조 배분과 입찰 과정이 공정했음을 시사하는 것이다. 규모가 큰 기업일수록 지대를 많이 얻을 수 있었지만 이것은 더 잦은 입찰을 통한 것이었기 때문에 불공정성을 의미한다고 보기 어렵다. 만일 초기 조건이 좋은 기업이 더 능력 있는 기업이었다고 할 수 있다면 위 결과는 지대가 더 능력 있는 기업에게 더 많이 배분되었음을 뜻한다고도 할 수 있다.

다음으로 1950년대 원조 배분이 기업의 장기 성장에 어떠한 영향을 미쳤는지 분석해보았다. 설명변수는 1959년 각 기업이 얻은 지대이며, 종속 변수는 생존율, 매출액, ROE를 사용했다. 분석 결과 통제 변수(자본금, 기업 나이, 업종)를 포함하든 포함하지 않든, 1973년 명부의 기업을 모두 포함

하든(즉 1959년 Daily Report에서 발견되지 않은 기업은 지대가 0이었다고 가정) 그렇지 않든, 생존율과 매출액은 지대가 클수록 유의미하게 높아지는 모습을 보였다. 반면, ROE는 유의미한 관계를 보이지 않았는데, 이것은 특정 시점의 ROE가 기업의 경쟁력보다는 업종의 특성이나 시장 상황에 큰 영향을 받기 때문일 것으로 추측된다.

강건성(robustness)을 체크하기 위해 설명 변수와 종속 변수로 다른 변수들도 사용해 보았다. 설명 변수로는 지대 외에 응찰 횟수, 외환 이득, 성공률, 참여 더미를 사용했다. 그리고 종속 변수인 기업 규모와 수익률의 지표로 자산총액, 종업원수, 자산 대비 매출액, 종업원 1인당 순이익, 종업원 1인당 매출액, 순이익을 사용했다. 먼저 설명 변수로 다른 변수를 활용한 결과를 비교해보면 응찰 횟수와 참여 더미는 지대와 마찬가지로 결과를 보인 반면, 외환 이득이나 성공률은 유의미한 결과를 보여주지 못했다. 이것은 앞의 공정성 분석 결과와도 상통하는 것이다. 흥미로운 것은 참여 더미도 유의미한 설명력을 가지고 있었다는 것이다. 이것은 1959년 법인명부와 1973년 기업조사총록에서 동시에 발견되는 기업을 대상으로 1959년 Daily Report에서 발견되는지 여부를 더미 변수로 만든 것이다. 원조 자금 배분에 참여하지 않은 기업에 비해 참여한 기업들이 1970년대 초에 더 많이 생존해 있었고 기업 규모도 더 컸던 것이다. 종속 변수의 경우 기업 규모로 매출액이 아닌 자산총액이나 종업원수를 사용하더라도 결과는 달라지지 않았다. 수익률의 경우는 일부 지표에서 양의 관계가 발견되기는 하였으나 전반적으로 유의미한 관계가 뚜렷하지 않았다. 그럼에도 음의 관계가 발견되지 않았다는 것에는 주목할 필요가 있다.

제4장 요약

본 연구는 미국 원조기관이 생산하거나 소장한 한국에서의 기업 레벨 원조 자금 배분에 관한 자료들을 활용해 지금까지의 1950년대 원조 경제에 대한 이해를 재검토해 보았다. 특히 기업 레벨의 입찰 결과를 담고 있는 Daily Report를 중요한 자료로서 활용하였으며, 기업의 특성을 보여주는 한국어로 된 기업 명부들을 이것과 매칭하여 분석하였다. 기존 연구들은 면방직업과 같이 당시에도 사실상의 특혜지원이 문제가 되던 업종의 사례에 기반해 1950년대 원조 배분이 자의적이었으며 비효율적이었다고 주장하였다. 본 연구는 미시 자료를 사용해 1950년대 원조 자금 배분의 공정성과 그것이 한국 경제(기업) 성장에 미친 장기적 효과를 검토해보았다.

분석 결과 당시 원조에서 보다 일반적이었다고 할 수 있는 ‘일반 민수 구매’ 형식에 의한 원조 자금 배분은 기존 연구가 묘사한 것보다 더 경쟁적이었으며 공정했다는 것을 확인할 수 있었다. 추첨이나 환율을 기준으로 한 경매라고 하는 규칙이 실질적으로 적용되었고 그만큼 정부의 자의적인 개입이나 기업간 담합의 여지도 크지 않았던 것으로 보인다. 다만, 원조의 효율성에 대해서는 규모가 큰 기업이 더 많은 지대를 배분 받은 점을 긍정적으로 평가할 수도 있겠으나 좀더 엄밀한 분석이 요구된다.

다음으로, 원조 배분으로부터 더 많은 지대, 즉 더 많은 환율 이득을 얻은 기업일수록 1950년대 말 기업 규모를 통제하더라도 1970년대초 기업 규모가 더 컸던 것을 알 수 있었다. 대안 변수를 활용한 회귀 분석에서도 이 관계는 변함없이 나타났다. 이것은 원조가 한국 기업 성장에 긍정적인 영향을 끼쳤음을 시사한다.

Executive Summary

A large scale of foreign assistance or aid has been provided from developed to developing countries throughout the second-half of the 20th century. However, only a few countries out of beneficiaries succeeded in economic development. This has provoked a controversy over on the effectiveness of foreign assistance. Many researchers have argued that such assistance is useless, and some emphasized the significance of government's accountability in maximizing its effectiveness (Collier 2007; Easterly 2006; Moyo 2009; Burnside and Dollar 2000, 2004). The issue is still under debate. Examining the historical experience and lessons of successful counties like Korea would be useful to learn how to improve the effectiveness of foreign assistance.

Korea is one of the countries which received a lot of foreign assistance and achieved a rapid economic growth in short period. Korean War in 1950-53 devastated people's life and infrastructure across the country. After the War, no one believed that Korea would become one of most industrialized and developed countries after 60 years. Therefore, Korean experience has been called as "Miracle on the Han River".

However, previous studies on the role of foreign aids in Korean economic development is not always favorable. Some argue that foreign aids in the 1950s and 1960s distorted economic structure in Korea and delayed economic independence (Hong 1962; Yi 1987). Some pointed out that the distribution of foreign aids was not effective (Krueger 1977; Cho 1996; Kim 1999). Nevertheless, those studies do not provide enough empirical evidence to conclude the effectiveness of foreign aids in Korea.

The study aims to provide more reliable empirical evidence by looking into historical micro data on foreign aids, which have been rarely used in previous studies. In particular, this study plans to examine the role of foreign aids in industrialization in Korea. After the Korea War, US foreign assistance agencies---FOA (Foreign Operations Administration) and ICA (International Cooperation Administration)---provided aids to rebuild Korean economy. FOA/ICA aids are divided into two types: project and non-project assistance. Project aids were intended to improve social infrastructure such as sanitation, education and transportation. Non-project aids were more related to industrialization because various kinds of economic resources, including fuel, industrial raw material and machinery, was

distributed among Korean industries and firms in the late 1950s and 1960s. Therefore, it is necessary to study how non-project assistance affected Korean economic development for better understanding the effectiveness of foreign aids not only in Korean perspective, but also in the general aspect of development economics.

The specific questions that this study tries to answer are as follows:

- [1] Was the allocation of foreign aid in the 1950s competitive, fair, and efficient?
- [2] How much did the foreign aid in the 1950s contribute to firms' survival and performance in later years?

In the purpose of our study, it is key to have detailed information on Korean firms which received the benefit of foreign aids. Fortunately, such information was recorded in some government reports issued or received by US FOA/ICA: 1) Small Business Circular, 2) Weekly Report of Sub-authorizations, 3) Daily report on Allocation of ICA Funds.

We found that those reports are available in US NARA (National Archives and Records Administration), University of Washington Library. Our research team has collected the information on those historical records with the support of KDI School of Public Policy and Management. Especially, our research team visited NARA twice, took photos of about 6,000 pages in the records, and digitized them. In addition to the micro-level data, we also collected some historical statistics on foreign aids from yearbooks of the Bank of Korea and the Korea International Trade Association and Korean business directories with firm information.

In particular, we used Daily Report, which contains bidding results at the firm-level, as an important data source. I matched Daily Report with several Korean-language business directories that contain information on firm characteristics. The analysis revealed that the allocation of the major part of aid funds was more competitive and fair than what was depicted by previous research. The rule of bidding was actually implemented, which greatly reduced the room for discretionary intervention by the government or collusion among firms. The fact that larger firms were allocated more rent does not need to be interpreted as indicative of allocative inefficiency, although a more rigorous analysis is needed in order to be able to speak of the efficiency of aid with confidence.

Our analysis also found out that firms that earned more rent, or in other words, a larger amount of financial benefit from the allocation of aid had a larger firm size in the early 1970s even when controlling for firm size in the late 1950s. This relationship persisted even in regression analyses using alternative variables. Such a result indicates that aid had a positive impact on the growth of Korean firms. Although the size of rent was found to have no significant effect on the firms' rate or return, this is likely because the rate of return of a firm at a certain point of time is affected primarily by the specific characteristics of the business category or market situation rather than by its actual business competence.

Introduction

Background

Since World War II, large amounts of foreign aid has been provided to developing countries from developed nations. However, there have been few cases where the countries have succeeded in achieving the economic development using the aid provided. As a result, the criticism that can be referred to as the fruitlessness of foreign aid has continuously been raised in the academic circles, for example by Collier (2007), Easterly (2006) and Moyo (2009). As such, it can be argued that aid effectiveness is an important topic in development economics both in theoretical and practical aspects. For instance, Burnside and Dollar (2000, 2004) emphasized accountability of the government as a determining factor of aid effectiveness based on their quantitative analysis of historical foreign aid data. Their study has since been accepted by many countries and international organizations as an authority for provision of foreign aid.

Korean economy received large amount of foreign aid, mainly from the United States, during its recovery from the damages of the Korean War that broke out in 1950. Through high economic growth in mid-1960s, the country has become the world's 10th largest economy in terms of GDP and provides a considerable amount of foreign aid to other developing nations. Korea is a rare example which used to be an aid-receiving developing nation and becomes a donor of foreign aid after achieving high level of economic growth. As such, extraction of core principles from Korea's experience with foreign aid is not only important in Korea's economic history, but also in theoretical and practical discussions

around effectiveness of foreign aid.

Despite its importance, empirical study on the impact of aid on Korea's economic growth has been at a standstill. It is largely due to lack of data that can be used to analyze Korean economy in 1950s, which was the prime period of foreign aid to the nation. At the same time, negative image of foreign aid such as corruption and rent-seeking behavior has been promoted based on fragmented observations, backed by the unimpressive macro-economic performance, namely slow growth in 1950s in contrast to rapid growth in 1960s. Studies conducted in the past when self-reliant economic theory was popular, for example Hong (1965) and Lee (1987), argued that foreign aid distorted Korea's economic structure. On the other hand, studies with growth-oriented perspectives, such as Krueger (1979), Cho (1996) and Kim (1999) pointed out inefficiency of aid allocation due to exchange rate distortions. Recently, Kim and Ryu (2014) presented an interesting point through comparison of the size of official development aid (ODA) to each recipient country. They argued that foreign aids received by Korea were not an overwhelming amount when compared to other countries on per capita or per GDP. It was suggested that actual reason behind Korea's success should be found in efficient use of the aid rather than its volume. Aid effectiveness is deeply connected with aid allocation, because size and condition of the fund allocated to different industries and businesses influence their level of growth, and because corruption or collusion in the allocation processes can undermine the effects of the aid.

In order to overcome the lack of domestic data, this study utilised the US foreign aid agency documents which was retained in the National Archives and Records Administration. In the 1950s, US foreign aid agencies were deeply involved in economic policy of Korea through the Combined Economic Board of the US and Korea. During the process, the agencies produced or received vast amount of data which included details on allocation of aid funds.

Foreign aid to Korea: basic facts

This study uses data on the firm level allocation of aid funds provided by US foreign aid agencies in the 1950s. Provision of foreign aid to Korea¹⁾ started in 1945 with the

1) Most commonly used concept of foreign aids is Official Development Assistance (ODA). ODA includes not only grants but also concessional loans. In this article, however, the concept of aid only refers to grants in the same way as the

establishment of US military government in Korea. <Table A1> in appendix shows annual amounts of aid by different sources. Total of \$4.4 billion foreign aid was injected into Korean economy between 1945 and 1983, \$3 billion of which was received by 1960. As shown in the table, although US started aids to Korea before the Korean War the amount was relatively small in size. And the aid provided during the War was in the form of food and other necessities which was referred to as Civilian Relief in Korea (CRIK). It is not until 1954 when the aid for economic revitalization actually began. The Foreign Operations Administration (FOA), the US foreign aid agency, commenced the aid operation in the US fiscal year of 1954 (from July 1953 to June 1954), but actual provision did not start until calendar year 1954 due to delay in consultation with Korean government. With the commencement of FOA aids, the amount of CRIK aid fell sharply. The FOA and its successor, the International Cooperation Administration (ICA)²⁾ provided more than \$200 million USD in aid to Korea each year in the late 1950s. The size of the aid reached its peak in 1957 when total of \$380 million, including UNKRA and PL 480 aids, which was provided to the economy.³⁾ The size of aid subsequently decreased to reach \$100 million (yearly average) in the 1960s. This is the reason why the Korean economy in 1950s is often referred to as the ‘aid economy’.

FOA/ICA assistance was divided into two types: project and non-project. In the project assistance, foreign goods and consulting services were provided to carry out specific projects. As can be seen in <Table A2>, this type of aid had the characteristics of social overhead capital such as transportation, education and sanitation. Non-project assistance, on the other hand, was provision of fixed amount of imports that were deemed necessary for the Korean economy including agricultural products, fuels, raw materials and semi-finished products (<Table A3>). At the initial negotiations for the aids, there were conflicts between the donor and receiver because the Korean government demanded increase in the proportion of project assistance, which had a strong characteristic of capital injection while the US argued for non-project assistance to achieve price stabilization. In the end, the aid largely consisted of non-project assistance as demanded by the US ([Figure 1-1]).⁴⁾

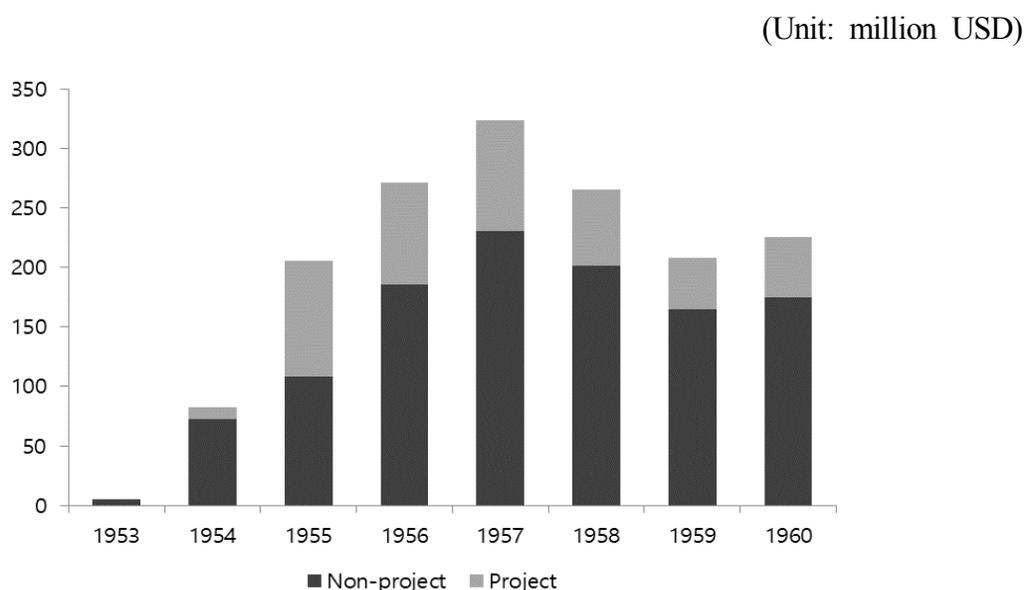
word was used in the official statistics of Korea at that time. In fact, provision of loan-type aids only started substantially in 1960s and its balance was minimal in comparison to grants in the 1950s. Therefore, the difference in concepts of foreign aid is not important in this study. Refer to Kim and Ryu (2014).

2) Refer to Ryu (2007) for information on historical changes in the US foreign aid agencies.

3) The PL 480 assistance was provision of US surplus agricultural products according to the Public Law 480.

4) Refer to Lee (1996: 157-165) for the controversy of ‘rehabilitation’ versus ‘stabilization’ between the Korean and the US governments.

Figure 1-1| Composition of FOA/ICA assistance, 1953-1960



Source: Bank of Korea (BOK), Economic Statistics Yearbook.

While CRIK was provision of goods purchased by US military to the Korean government or the private sector, FOA/ICA aids required more active participation of Korean firms. Particularly for non-project assistance, Korean firms were responsible for actual importation of the aid goods although the necessary funds were provided by the agency. Impacts of the project assistance on Korean firms were limited. It was relatively small in size and was for social overhead capital in nature. Only a few factories such as the Chungju Fertilizer benefited from that type of aid. On the contrary, non-project assistance was able to deliver far greater benefits to Korean firms because not only was it larger in size but it allowed greater number of firms to participate in the distribution of the funds and also on more favorable terms than the market exchange rates. Therefore, in analyzing the contribution made by the foreign aids to the growth of the Korean economy, it is crucial to understand to which firms and on what terms the non-project assistance funds were allocated. Documents produced by the US foreign aid agency included firm-level data on allocation of non-project funds. In this study, these data were constructed as a database and analyzed.

Data

Foreign aid allocation in the 1950s

Procurement authorization

Before the explanation of source materials, allocation procedure and type of purchase for FOA/ICA aid funds should be explained briefly.⁵⁾ Based on the aid program for each fiscal year (FY) confirmed by the US Congress, the Korean government sent Firm Requests (FR) for items to the US aid agency headquarter in Washington. Washington then reviewed the FR and issued Procurement Authorizations (PA) to Korean government.⁶⁾ PA was used as a unit in the allocation procedure of aid fund, such as bidding and lottery. Accordingly, a number assigned to each PA has a very important role as a distinction code. PA number consists of four or five numbers. For example, the PA number for cement in FY 1954 was “89-640-00-995-4238.” The first two-digit “89” is code for Korea and the second number “640” signifies the product (cement in this case). The subsequent “00-995” indicates country or region from which it can be purchased. The last four-digit number “4238” is a serial number that is actually used as a distinction code for that particular PA. The first digit “4” refers to the US fiscal year 1954. It was the year that the aid fund was authorized, not necessarily the year that the funds were spent.⁷⁾

Figure 2-1| Program status report

| PART II - M PROGRAM DETAIL - NON-PROJECT ASSISTANCE COMPONENT - DEFENSE SUPPORT - FISCAL YEAR 1957 (In Thousands of U.S. Dollars) | | | | | | | | |
|---|-----------------|---------------|-----------|------------|----------------------|-----------------|-----------------|-----------------|
| Commodity | Program Amount | FR/FAA Number | PA Number | Proc. Code | Obligations PA Value | Contracts | Arrivals | Expenditures |
| RAW MATERIALS AND SEMI-FINISHED PRODUCTS | <u>55,777.1</u> | | | | <u>61,806.6</u> | <u>61,784.7</u> | <u>61,320.2</u> | <u>61,605.0</u> |
| Commodities previously reported on closed PA's (30) | | | | | | | | |
| Medicinal and Pharmaceutical Preparation | | 7-22 | 7213* | B | 26,779.7 | 26,779.7 | 26,779.7 | 26,779.7 |
| | | | 7214* | B | 1,495.2 | 1,495.2 | 1,495.2 | 1,498.2 |
| | | | 7219* | B | 980.1 | 980.1 | 980.1 | 821.6 |
| | | | 7221 | B | 994.0 | 994.0 | 954.0 | 994.0 |
| | | | 7290* | B | 950.0 | 937.1 | 907.1 | 936.5 |
| Urea and Formaline | | 6-15 | 7290* | B | 190.4 | 190.4 | 184.7 | 190.4 |
| PVC and Other Plastic Raw Materials | | 7-50 | 7288* | B | 69.9 | 69.9 | 69.9 | 69.9 |
| Caustic Soda | | 6-26 | 7281 | B | 500.0 | 499.9 | 497.5 | 497.5 |
| Soda ash | | 7-26 | 7279 | B | 200.0 | 200.0 | 197.3 | 199.9 |
| Dyestuffs | | 7-27 | 7278 | B | 335.0 | 335.0 | 296.2 | 334.8 |
| | | 7-32 | 7229* | B | 999.5 | 999.5 | 994.7 | 999.5 |
| Industrial Chemicals | | 7-32 | 7277 | B | 800.0 | 799.6 | 799.6 | 800.2 |
| | | 7-12 | 7233 | B | 3,500.0 | 3,497.0 | 3,490.5 | 3,487.5 |
| | | 7-12 | 7269 | B | 1,053.0 | 1,049.4 | 774.3 | 1,048.9 |

Source: Archives of Korean History (<http://archive.history.go.kr>).

5) Based on various regulations republished in Monthly Economic Bulletin by the Bank of Korea.

6) The first FR in FY 1954 was for raw rubber (FR 4-1, PA 4201) and the first PA was for raw cotton (FR 4-14, PA 4101).

7) For example, out of the \$200 million FOA funds to Korea for FY 1954, only \$90 million was completed for contracts by June 1954 (the end of FY 1954) and \$150 million by the end of calendar year 1954. Goods that were actually imported into Korea were only \$30 million and \$90 million by June 1954 and December 1954 respectively.

[Figure 2-1] is part of the monthly program status report prepared by the aid agency. It can be seen that allocation status for each PA was recorded. In cases where it was necessary to distribute the same items over multiple times, it was also required to produce multiple PAs. Translated copy of this status report was included in the International Trade Yearbook issued by the Korea International Trade Association ([Figure 2-2]).

Figure 2-2| Program status report translated in Korean

(27) 1954年度FOA援助進捗状況(Ⅲ)

| 部門 | 品名 | FR番號 | PA番號 | 購買形式 | PA金額 | 契約額 | 到着額 |
|-------|------------|-------|------|------|--------|--------|--------|
| ▲教育 | 專門立小高専大 | 4-138 | 4613 | E | 750 | 750 | 464 |
| | | | | | 750 | 750 | 464 |
| | | | | | 750 | 750 | 464 |
| ▲一其 | 技術援助 | 4-122 | 4612 | E | 758 | 758 | 758 |
| | | | | | 758 | 758 | 758 |
| | | | | | 18 | 18 | 18 |
| ▲企行 | C A C 技術援助 | | | | 25 | 25 | 25 |
| | | | | | 330 | 330 | 330 |
| | | | | | 385 | 385 | 385 |
| ○原資 | ▲原資材援助 | | | | 98,999 | 98,756 | 97,234 |
| ▲資 | 40原資 | | | | 25,493 | 26,493 | 26,493 |
| | | | | | 25,493 | 26,493 | 26,493 |
| | | | | | 574 | 574 | 574 |
| | | | | | 3,177 | 3,177 | 3,177 |
| | | | | | 4,273 | 4,273 | 4,273 |
| | | | | | 6,351 | 6,351 | 6,351 |
| | | | | | 4,994 | 4,994 | 4,994 |
| 1,007 | 1,007 | 1,007 | | | | | |

Source: Korea International Trade Association, International Trade Yearbook: 1956-57.

Figure 2-3| Bidding announcement

FOA 需用入札公告

一、入札公告番號 第壹號

二、品目與規格 아바카(파나리)麻

三、購買承認番號 八九一壹九〇參一四九一四壹壹〇

四、購買承認金額 美貨八拾壹萬弗整

五、一人當最高入札額 美貨貳拾萬弗整

六、契約期間 自曆四二八年二月二十三日 至 年六月三十日

七、引渡期間 自曆四二八年二月二十三日 至 年八月三十一日

八、積出地 比律賓

九、入札期間 自曆四二八年三月十三日 至 年三月十三日 兩日共計自上午九時至下午三時

十、入札場所 韓國銀行外國部

十一、落札發表日時 曆四二八年三月十六日

十二、代金決済條 件 1. 入札保證金 貳拾萬弗 2. 入札保證金 貳拾萬弗 3. 入札保證金 貳拾萬弗

十三、其他條件 韓國銀行外國部外國部外國部

本入札はFOA資金に依り韓國銀行の需用物資購買事務取扱規程に依り 曆四二八年二月二十七日

韓國銀行

Source: Seoul Shinmun, March 2, 1954.

As mentioned above, PA was a unit of bidding. When a bidding for FOA non-project assistance was first made in March 1954, the newspaper advertisement indicated the PA number '89-4903-92-4110' ([Figure 2-3]). Every year, the Korea International Trade Association compiled the basic statistics of bidding results and published them in the International Trade Yearbook ([Figure 2-4]).

Figure 2-4| Table of bidding results

(42) 1955年度F O A民需用物資入札狀況
(1956年12月末現在) (單位：奩幣)

| PA 番號 | 品 目 | P A 金額 (配定公法時) | 入 札 狀 況 | | | | | | 未消化額 | 備 考 |
|----------|----------------------|-------------------|---------|--------------|---------|-----------|---------|---------|-----------|-----|
| | | | 應 件數 | 入 金 額 | 落 件數 | 札 金 額 | 長 換率 | 高 換率 | | |
| 5217 | 電 氣 器 具 附 屬 品 脂 | 1,000,000.— | 286 | 1,947,050.— | 124 | 935,550.— | 525 | 361 | 64,450.— | |
| 5332 | 牛 脂 | 400,000.— | 493 | 4,464,500.— | 46 | 400,000.— | 580 | 506 | 0.— | |
| 5333 | 樹 脂 (감로진및레핀타인) | 126,000.— | 105 | 558,000.— | 16 | 126,000.— | 561 | 525 | 0.— | |
| 5304 | 樹 脂 (디말고무, 코랄고무 및비락) | 49,000.— | 21 | 102,000.— | 11 | 49,000.— | 486 | 387 | 0.— | |
| 5218 | 苧 性 曹 雜 貨 | 300,000.— | 298 | 1,947,666.66 | 45 | 300,000.— | 585 | 474 | 0.— | |
| 5221 | 苧 絲 原 料 | 300,000.— | 32 | 394,000.— | 29 | 300,000.— | 521 | 351 | 0.— | |
| 5222 | 皮 料 完 製 品 | 50,000.— | 179 | 1,139,000.— | 9 | 50,000.— | 708 | 606 | 0.— | |
| 5219 | 皮 料 (完 製 品) | 200,000.— | 230 | 1,437,950.— | 37 | 200,000.— | 588 | 527 | 0.— | |
| 5220 | 皮 料 | 500,000.— | | | | | | | 500,000.— | |

Source: Korea International Trade Association, International Trade Yearbook: 1956-57.

Procurement methods

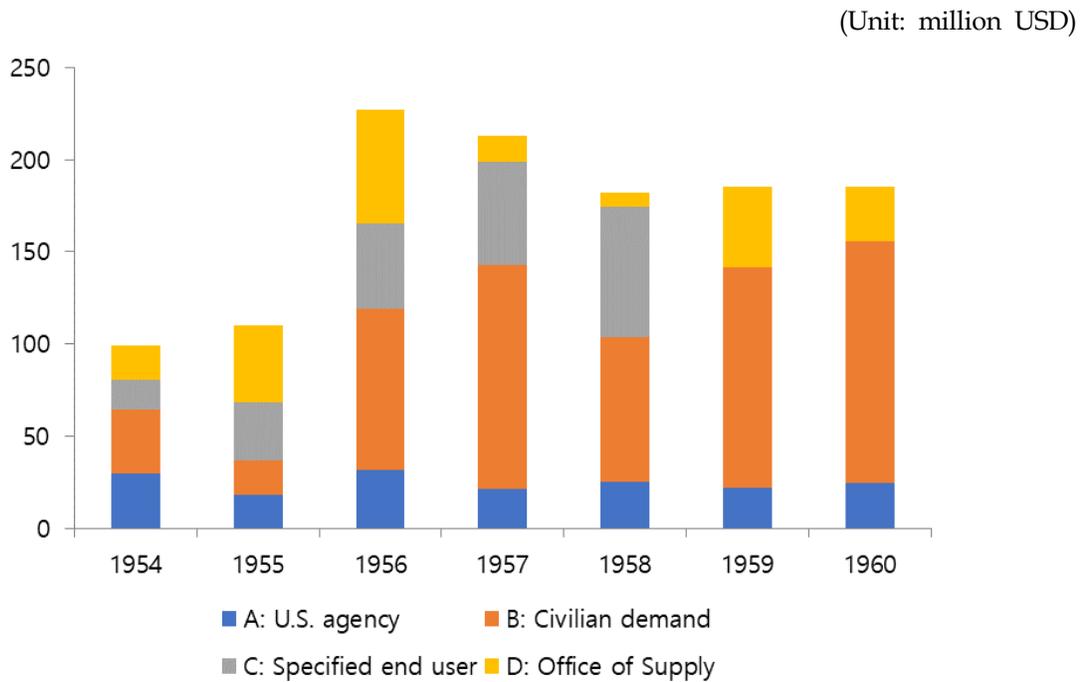
In the program status reports both in English and Korean shown above, a procurement code was designated for each PA [Figure 2-1 & 2-2]. Overall, there were four types of procurement methods: A. Procurement by the US agency; B. Procurement of goods for “civilian demand”; C. Procurement of goods for specified end-users and D. Procurement by the Office of Supply, Korea. The procurement method for each PA was suggested in each firm request and it was confirmed when PA was issued. Composition of procurement methods for non-project assistance is shown in [Figure 2-5].

The code ‘A’, procurement by the US agency was adopted when it would be better for the US agency to purchase the merchandise and deliver it to Korea rather than for Korean government or firms to procure them. Purchasing of petroleum products was such case. The US government, which initially determined that the Korean government did not have sufficient administrative capacity, determined US agencies should purchase 30% of the non-project aid in FY 1954.

The code ‘B’, procurement of goods for civilian demand and the code ‘C’, for specific end-users were similar in the sense that Korean firms were allocated the fund through the Bank of Korea; however, recipients of code C item were determined upon issue of PA. In contrast, in the allocation of code B item, the Bank of Korea determined recipients through bidding or lottery procedure. For example, raw cotton was the largest code C item until FY 1958, for which the Korean Textile Association received the fund and re-distributed to the member companies. However, there were many criticisms of preferential treatment for end-user purchase due to lack of competition and application of

official exchange rate, which was more favorable compared to the market rate. Eventually, this methodology was abolished since the FY 1959 ([Figure 2-5]). On the other hand, competitive bidding method was relatively free from preferential treatment, although there were cases where additional restrictions were implemented to allow only companies with certain level of facilities or members of the association to participate in the bidding process.

Figure 2-5| Composition of procurement methods for non-project assistance



Source: Korea International Trade Association, International Trade Yearbook.

The code 'D', procurement by the Office of Supply involved purchasing of goods for the Korean government's direct use or rather public goods: fertilizer was the main item purchased through this method. Under the method, the Office of Supply usually selected the importer with the lowest price through international bidding. Although suppliers of the aid goods were foreign companies, importers were domestic companies which were paid certain level of commission in either dollars or Korean hwans.

As described above, under the procurement method B, C and D, Korean firms could participate in the process. Especially under method B and C, Korean firms were given business opportunities to process or sell imported goods under the aid program at the time when lack of foreign currencies were the bottle neck of the economy. In addition, firms could benefit from exchange rate gain, because they could import with more favorable

exchange rate compared to market rates. This study, in particular, focused on the method B which had larger amount of funding and also allowed greater number of Korean firms to receive the aid.

The allocation rule under code B have changed several times in accordance with the Korean government's foreign exchange and fiscal policy as well as the consultation with the US foreign aid authorities.⁸⁾ When the allocation was first implemented in 1954, exchange rate bidding method was adopted. Aid funds were distributed to the bidders which suggested highest hwan per dollar. It was to prevent inflation by absorb more Korean currencies and to collect more counterpart fund to lower fiscal deficit. However, since the introduction of so-called "unitary" exchange rate of 500 hwan per dollar in August 1955, the official rate was also applied to aid funds for civilian demand as a part of exchange rate policy. The government firstly adopted first-come-first serve method and lottery in case when the amount applied exceeded the amount offered in the first day. However, a large number of participants were concentrated on popular items to acquire exchange rate gain. Since February 1956, the government changed its approach for quick and smooth collection of hwan: company with highest deposit could get aid funds, and lottery was held in case of competition among firms with same highest deposits.

In 1957, with a strong financial stabilization plan in place,⁹⁾ the government started to force purchase of national bonds to firms that were allocated aid funds, in order to increase the fiscal revenue. In February 1957, the Ministry of Finance imposed 100 hwan per dollar of national bonds.¹⁰⁾ Then, in May 1957, the agreement between Korean and the US introduced a bidding system called "additive national bonds." By allocating funds to firms that bought more government bonds, it was in essence an indirect exchange rate bidding.

The allocation criteria changed again in 1958 when the foreign exchange tax was introduced in May of that year. Korean government replaced the bidding tool from national bonds to the special tax: firms which suggested to pay greater amount of foreign exchange

8) Reference was made to newspapers and the resolutions of the Monetary Policy Committee, Bank of Korea which was responsible for the allocation methods.

9) See Ryu (2012) for the influence of the "unitary" exchange rate, 500 hwan per dollar to financial stabilization plans implemented in the late 1950s.

10) Selling price of the government bonds at the time can be confirmed in the Securities Statistics Yearbook, 1963. As the bond was sold at 15-20% of the issue price, the Korean government could raise revenue.

tax (per dollar), were allocated with the funds. It was more direct method of increasing tax revenue. The actual exchange rate for winner of competitive bidding was suggested foreign exchange tax plus 500 hwan per dollar. This method continued until abolishment of the foreign exchange tax in 1961. Those rules with additive national bonds and foreign exchange tax could be interpreted as measure to restrain speculative demand and promote budget capacity while maintaining the official exchange rate.¹¹⁾

Data on allocation of aid funds at firm level

Entire process following the issuance of PA under the procurement method ‘B’ & ‘C’ was controlled by the Bank of Korea. Therefore, detailed record of conditions and recipient of the funds would have been documented by the authorities in the BOK. However, it was not confirmed whether the records were currently held by the Bank.

Instead, some of the relevant records were found preserved in the record group of the US foreign assistance agencies in the US National Archives and Records Administration (NARA). Those are the Small Business Circular, Weekly Reports of Sub-authorizations and Daily Report on Allocation of ICA Funds which will be discussed below. With the support of KDI School, our field surveys were conducted directly at NARA twice. In November 2015, one of the authors visited the site and commenced preliminary survey and in May 2016, the other author visited the institute and conducted a full-scale data survey and hired a research assistance (RA) in the US. By the end of July 2016, more than 6,000 copies of digital photos taken by the RA have been collected through the internet. And some digital replicas provided at the web site of the National Institute of Korean History (the Archives of Korean History, <http://archive.history.go.kr>) were also used.

The following is a brief description of the materials collected from NARA for this study. Documents and records are classified into record groups according to the classifying method of the producer of the materials. Within each record group, materials are further classified into entries¹²⁾ and files¹³⁾ and stored in boxes. All the materials collected for this study belong to the Record Group 469 (RG 469), ‘Record of U.S. Foreign Assistance Agencies, 1948-1961.’ Entry UD 1073 contains Publication Files (1949-1958) of the Office

11) The counterpart fund could only be used through an agreement with the US aid agency; however, revenue from the government bond sales and foreign exchange tax could be used by the Korean government itself.

12) Entry is also referred to as series.

13) It was literally a file that kept the documents inside. It was usually a folder type, which has a heading for each file.

of Small Business (OSB) in Washington headquarters of foreign assistance agencies. This entry includes Small Business Circular and part of Weekly Reports of Sub-authorization. The Daily Report on Allocation of ICA Funds and the other part of the Weekly Report were found in entry UD 422, Korea Subject Files (1953-1961) held by the Office of Far Eastern Affairs also in Washington headquarters and in entry UD 1276, Central Subject Files (1950-1956)¹⁴⁾ held by the United States Operations Mission to Korea (USOM/Korea).

We also found that Small Business Circular for late 1950s, from November 1955 to November 1961 were held by the University of Washington library, under the heading "ICA Small Business Circular" (with some omissions). This material was received as a PDF file after it was scanned by a hired RA who attended the college.

Small Business Circular

Small Business Circular was a periodical publication produced by the OSB in US foreign assistance agencies. It has been published since the days of the Economic Cooperation Administration (ECA), which was created to implement the Marshall Plan in 1948. The intent of the publication was clear under the heading "Trade Opportunity for American Suppliers" ([Figure 2-6]). In other words, it was to provide information to American companies, especially small and medium size enterprises (SMEs), to participate as exporters for procurements funded by US foreign aids. In the Section 201.13 (Information for OSB) of ICA regulation 1, responsibility of importers was defined as [Box 2-1].¹⁵⁾

14) The period in the entry title does not necessarily coincide with the coverage of the document therein. The coverage of this entry was actually till 1960.

15) *Code of Federal Regulation*, Title 22, Chapter II regulated the foreign aid agency. It was also referred to as Regulation 1 within the agency.

(b) Waiting period

The importer or anyone acting in his behalf shall not accept any offer or place any order under such a subauthorization until after 30 days have elapsed from the time that the information described in paragraph (a) of this section reaches, or in the normal course of the mail would reach, the Office of Small Business, ICA, Washington D. C. The Office of Small Business may, upon application by the importer or anyone acting in his behalf, waive or reduce the 30 day waiting period where such action is deemed appropriate by the Office of Small Business.

Source: *Code of Federal Regulations*, revised as of January 1, 1958.

The first information of FOA/ICA aid to Korea on Small Business Circular was about the procurement of fertilizer, PA 4103 on SBC No. 53-75 (1953.8.27). The buyer was recorded as the Emergency Procurement Service of the General Services Administration, which was the US government agency. The first mention of goods for civilian demand (code C) was in No. 54-245 (1954.6.4) which contained information about the successful bidders for several PAs. Thereafter, the winning bidder's information for PAs, FY 1954 fund was published in a similar format up to issue No. 54-480 (1954.9.21). After FOA Regulation 1 was revised in October 1954 to make provision of information to the OSB mandatory, there was no information in relation to Korea until the end of 1954. One of the two issues found which were published in the first half of 1955 (No. 55-58, 1955.3.14) contained information only about project assistance to Korea. The first issue in 1955 which provided information about goods for civilian demand was No. 55-43 of the second half (1955.8.26). It included the following comments: "Provided below is information supplied by Korean private importers concerning purchase they intend to make under the indicated procurement authorization numbers. Interested suppliers should communicate immediately with the buyers. As this is commercial procurement no further information will be received by the ICA Office of Small Business".¹⁷⁾ It is uncertain whether the phrase 'intend to' was referring to the case where authority to purchase was obtained from bidding or all potential bidders regardless of winning.

16) The Mutual Security Act of 1954.

17) The mention of 'commercial procurement' here was for distinction from procurement by government agencies, the Office of Supply in case of Korea. Under Code D procurements, government agencies were given different responsibility to provide detailed information on complete bidding results to the Office of Small Business. This was specified in (c) of 201.13 in ICA Regulation 1.

Figure 2-7| Information form sent to the Office of Small Business

Office of Small Business, AID
Washington, D. C.

Ref No. FFO-SAI- 3 - 3 0 1

| | | |
|---|--|---|
| Name and Address of Importer #82-2, 2-Ka, Chong-ro, Chongro-Ku, Seoul | AID PA or PIO/C Number (if known) 3005 | Quotations will be accepted until (date) |
| Sub authorization or Import License Number (if Known) | Cabled quotations will () will not (x) be accepted. If yes, give cable address | Approximate dollar amount of the proposed purchase. US\$18,110.00 |

Full Description of commodities and services (excluding ocean transportation and marine insurance) to be imported, including sizes, quantities etc., and any special conditions:

| COMMODITY | GRADE | QUANTITY |
|---------------|---------------|-----------------------|
| 1) TRITHION | 25% W.P. | Approx. 20,000 lbs. ✓ |
| 2) DOMICIDE G | PCF 7% up .02 | " 3,000 lbs. ✓ |

Special condition

- 1) Sealed bids in three copies, subject to terms and conditions of this invitation, PA No. 3005 and AID regulation 1, will be received at KYONGGI AGRICULTURAL CHEMICAL CO. c/o Foreign Fund Operation Dept. the Bank of Korea, Seoul, Korea until April 1, 1963.
- 2) Unit price must be quoted on the basis of C&F or CIF Pusan, Korea by U.S. flag liner vessel.
- 3) Bid must indicate the time of shipment.
- 4) Our reference number should be shown both on the bid and sealed envelope.
- 5) Earlier delivery is preferable.
- 6) Bid must be filed for 20 days after opening.
- 7) Supplier's certificate of chemical content of each material furnished be requested in letter of credit.

KYONGGI AGRICULTURAL CHEMICAL CO.
By [Signature]
(Authorized Signature)

THE BANK OF KOREA
RECEIVED
1963 529

Source: Small Business Circular Background Files, RG 469.

This point was made clear in issue No. 56-17 (1956.1.27) where the sentence “The following importers have either applied for or been granted import permits for the purchase of the commodities listed below” started to be inserted prior to the information in relation to Korea.¹⁸⁾ In relation to 201.13 which mandated the provision of information to the OSB, there was a lot of controversy surrounding the meaning of “placing an order” and the starting point of 30-day calculation. In September 1955, the ICA headquarter pointed out, in its messages to the offices in different countries, that information provision in advance even before receiving an import permit was in line with the purpose of SBC publication, pointing Taiwan as a good example.¹⁹⁾ The Washington headquarter was of an opinion that it did not matter if some companies could not obtain the permission to import even after publication. In the case of Korea, instead of the individual bidders sending information to the OSB, the Bank of Korea often delivered the information provided by the bidders to the Office.²⁰⁾ The BOK suggested bidders to provide information as early as they can, to satisfy the 30-day stand-by early on.

18) Use of the word ‘sub-authorization’ was interchangeable with ‘import permit’. In Korea, they were considered the same.

19) ICA/W to USOM/K, ICATO No. A-55, Sept. 8, 1955; Legislation - Regulation I, 1955-1958; Central Subject Files, 1950-1956, Executive Office, Mission to Korea; RG 469.

20) According to information in relation to Korea published in Small Business Circular, interested suppliers were encouraged to communicate with the importers through the Bank of Korea.

Table 2-1| Small Business Circular collection list

| Calendar Year | Last Issue | Remarks |
|---------------|---|--|
| 1953 | Unknown | Preserved by NARA to No. 76, rest omitted |
| 1954 | No. 641 | Preserved by NARA with some omission |
| 1955 | First half - unknown (FOA) Second half - No. 128 (ICA) | First half of 1955 omitted except No.55-13 and No. 55-58. Due to restructuring of aid agencies, SBC published on 1955.7.15 was recorded as ICA Small Business Circular No.55-1. Publications up to No. 109 are preserved only by NARA. Subsequent publications are held by both NARA and the University of Washington, with some omission. |
| 1956 | No. 237 | |
| 1957 | No. 277 | |
| 1958 | No. 351 | Preserved by NARA and the University of Washington with some omission. |
| 1959 | No. 435 | |
| 1960 | No. 479 | |

Surge in the number of bidders under the lottery system was a burden to both the Bank of Korea and the Administration. In September 1956, the representative of the Korean office of the aid agency sent a letter to the Minister of Reconstruction Hyun-Chul Kim, notifying 30-day stand-by would be calculated from the date of the letter to the OSB instead of publication date of Small Business Circular from 1 October, and bidders would be allowed to provide information after bidding ended.²¹⁾ However, the phrase “The importers as listed below have either applied for or have been granted sub-authorizations for the purchase of the indicated commodities” continued to appear until issue No. 58-121 (1958.5.9). The phrase “either applied for or” was removed from issue No. 58-124 (1958.5.14).

Weekly Reports of Sub-authorization

Even after the mandatory provision of information to the OSB was defined by October 1954 revision of ICA regulation 1, in the case of code B or C procurement, no obligation was imposed to provide information related to the actual result of the bidding or allocation. However, message from the ICA headquarter in Washington stated that “You will note that award information is not required on commercial procurement unless

21) Warne to Kim, Sept. 26, 1956; Legislation - Regulation I, 1955-1958; Central Subject Files, 1950-1956, Executive Office, Mission to Korea; RG 469.

specially requested” which implied that there could be a special request to provide information with regard to the results of bidding or allocation.²²⁾

In fact, in December 1956, Korean office of the US foreign aid agency sent a letter to an official in the Ministry of Reconstruction enquiring whether he could provide weekly reports in relation to Sub-authorizations (SA) as requested by the Washington headquarters.²³⁾ Once the recipient firms for each PA were decided, they were issued with SA from the Bank of Korea. The word ‘sub’ was used to indicate that multiple SAs were issued under each PA. In January of the following year, the official at the ministry replied that he would request the Bank of Korea to write the weekly reports and send it directly to the Washington office as well as to the Korean office.²⁴⁾ According to a letter sent to the Ministry of Reconstruction from the US agency in February, the first report for January 4 to 12 was sent to Washington, not to the Korean office. It also requested that name and address of the importer to be included in the report, in addition to the PA number, SA number, name, quantity and price of the product and name of the supplier which were initially requested.²⁵⁾ Although it was unclear from when the additional information was added to the report, such information was first found in the file of ‘Procurement Authorization Jan. Feb. Mar. 1957’ of entry UD 1276, RG 469, which covered the week from February 11 to 16, 1957 ([Figure 2-8]). Subsequent reports were then found in the 1957 file of ‘Report - Weekly’ in the same entry.

Washington requested the Weekly Report of Sub-authorization (Weekly Report) for a publication of the OSB: it was not the aforementioned Small Business Circular, but a separate publication called Financed Awards ([Figure 2-9]). The word “awards” refers to selection as a recipient of foreign aid through bidding, lottery or other processes. In the Financed Awards, information on the bidding outcomes for aid-receiving governments’ procurement (code D) was usually published. However, it appears that the information provided by Small Business Circular was insufficient for the OSB because out of the large number of Korean firms participating in the competitive bidding, only small portion was

22) ICA/W to USOM/K, ICATO No. A-96, Nov. 11, 1955; Legislation - Regulation I, 1955-1958; Central Subject Files, 1950-1956, Executive Office, Mission to Korea; RG 469.

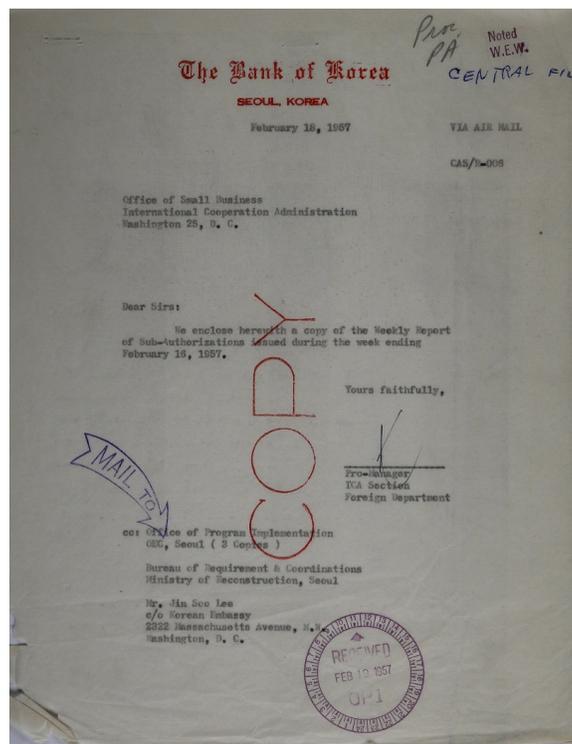
23) Jones to Kim, Dec. 26, 1956; Reports - Weekly (1957 and 1958); Central Subject Files, 1950-1956, Executive Office, Mission to Korea; RG 469.

24) Kim to Jones, Jan. 9, 1957; Reports - Weekly (1957 and 1958); Central Subject Files, 1950-1956, Executive Office, Mission to Korea; RG 469.

25) Jones to Kim, Feb. 1, 1957; Reports - Weekly (1957 and 1958); Central Subject Files, 1950-1956, Executive Office, Mission to Korea; RG 469.

actually successful in receiving the funds. As such, it was the intention of the office to request information on actual recipients of SA and to publish the information in the Financed Awards. Similar to Small Business Circular, Financed Awards up until 1957 issues were preserved in Entry UD 1073, RG 469 in the National Archives. The first instance that Weekly report from the Bank of Korea was copied in the Financed Awards was found in issue No. 57-28 (1957.6.19) which covered three consecutive weeks from 29 April to 18 May.

Figure 2-8| Cover page of Weekly Report of Sub-authorization

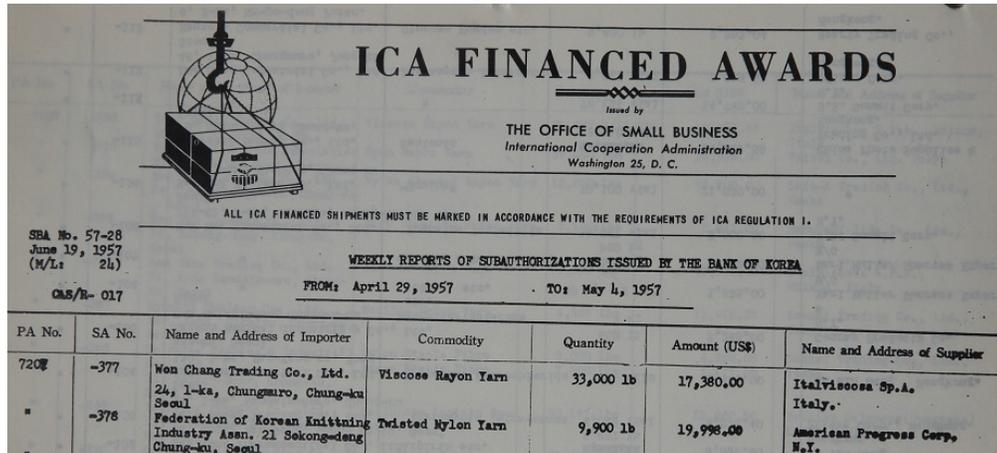


Source: Central Subject Files, Mission to Korea, RG 469.

All that remains of the original Weekly Report written by the Bank of Korea and copied in the Financed Awards were confirmed to be nineteen weeks of 1957, which covered mid-February to mid-October with one week, four weeks and eleven weeks of omission in March, April and June to August respectively (<Table 2-2>). The Financed Awards continued to be published after 1958 and there is a possibility that there has been additional Weekly Report in it, however none has been found yet.²⁶⁾

26) Financed Awards from January to October 1962 after the restructuring of the US foreign aid agency into Agency for International Development (AID) are stored in the University of Washington library.

Figure 2-9| Cover page of Financed Awards



| PA No. | SA No. | Name and Address of Importer | Commodity | Quantity | Amount (US\$) | Name and Address of Supplier |
|--------|--------|---|--------------------|-----------|---------------|---------------------------------|
| 720 | -377 | Wen Chang Trading Co., Ltd. 24, 1-ka, Chungmu-ro, Chung-ku Seoul | Viscose Rayon Yarn | 33,000 lb | 17,380.00 | Italviscosa Sp.A. Italy. |
| " | -378 | Federation of Korean Knitting Industry Assn. 21 Sekong-dong Chung-ku, Seoul | Twisted Nylon Yarn | 9,900 lb | 19,998.00 | American Progress Corp. N.Y. |

Source: Publication Files, Office of Small Business, RG 469.

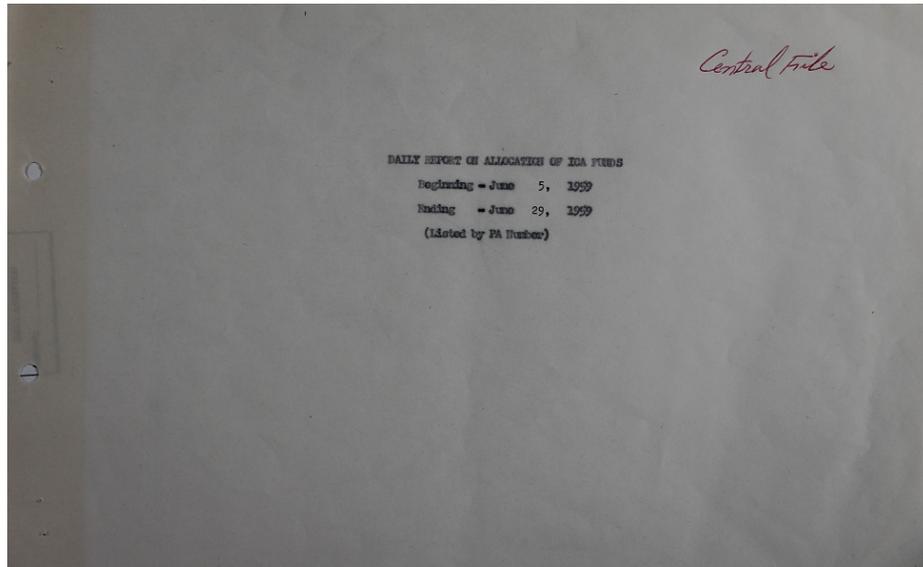
Table 2-2| Weekly Report collection list

| Week | Location |
|----------------|---|
| 1957.2.11~2.16 | UD 1276 |
| 2.18~2.23 | |
| 2.25~3.2 | |
| 3.4~3.9 | |
| 3.18~3.23 | |
| 3.25~3.30 | |
| 4.29~5.4 | UD 1073 (Financed Awards No. 57-28) |
| 5.6~5.11 | |
| 5.13~5.18 | UD 1073 (Financed Awards No. 57-28, No. 57-29) |
| 5.20~5.26 | UD 1073 (Financed Awards No. 57-29) |
| 5.27~6.1 | |
| 6.3~6.8 | UD 1073 (Financed Awards No. 57-32) |
| 6.10~6.15 | UD 1276 |
| 9.2~9.7 | UD 1073 (Financed Awards No. 57-34) |
| 9.9~9.14 | |
| 9.17~9.21 | |
| 9.23~9.28 | UD 1073 (Financed Awards No. 57-35) |
| 9.30~10.5 | |
| 10.7~10.12 | UD 1073 (Financed Awards No. 57-38) |

Daily Report on Allocation of ICA Funds

While types of data described above were created by the interest of the OSB to provide export opportunities to US companies, the Daily Report on Allocation of ICA funds was requested to grasp the exchange rate distribution of competitive bidding, which was the primary interest of personnel responsible for foreign aid to Korea in the US aid agencies. Therefore, inclusion of information on allocation conditions such as the rates of government bonds or foreign exchange tax addition was the most important feature compared to the other two materials.

Figure 2-10| Cover page of a Daily Report



Source: Korea Subject Files, Office of Far Eastern Affairs, RG 469.

On September 20, 1957, the Korean office of the US foreign aid agency sent its first Daily Report to the Washington headquarters. Since the change from lottery to competitive bidding on national bond addition in May of that year, information on successful bidder's name, amount of allocated funds and the rate of bond addition up to early September of the year were reported for each distribution of funds. Thereafter, it was decided to produce the same report every month.²⁷⁾ In addition, information on the unsuccessful bidder was also included in the reports produced after October 8.²⁸⁾ The Washington headquarter also requested data for the entire period 1957 and in response the Korean office produced Daily Report from December 1956 to August 1957. Considering the fact that the reports were reproduced, it would have included information on unsuccessful bidder as well.²⁹⁾ Daily Report was in production until September 1960.³⁰⁾

The Daily Report, which also included exchange rate information, was the most appropriate data for this study; however, out of 46 months between December 1956 and September 1960, only 21 months' reports were found. Those reports were interspersed within entry UD 422 and UD 1276 of RG 469 in the National Archives. It appears that

27) CINCREP Seoul to ICA/W, TOICA No. A-856, Sep. 20, 1957; Procurement - Saleables Review Committee Reports, 1957-1958; Central Subject Files, 1950-1956, Executive Office, Mission to Korea; RG 469.

28) CINCREP Seoul to ICA/W, TOICA No. A-1017, Oct. 8, 1957; Procurement - Saleables Review Committee Reports, 1957-1958; Central Subject Files, 1950-1956, Executive Office, Mission to Korea; RG 469.

29) CINCREP Seoul to ICA/W, TOICA No. A-2192, Feb. 11, 1958; Procurement - Saleables Review Committee Reports, 1957-1958; Central Subject Files, 1950-1956, Executive Office, Mission to Korea; RG 469.

30) Refer to document stating that publication of Daily Report will end on October 1. Notice from Jong Bok Kim, Sep. 28, 1960; Funds - Allocations (1960); Central Subject Files, 1950-1956, Executive Office, Mission to Korea; RG 469.

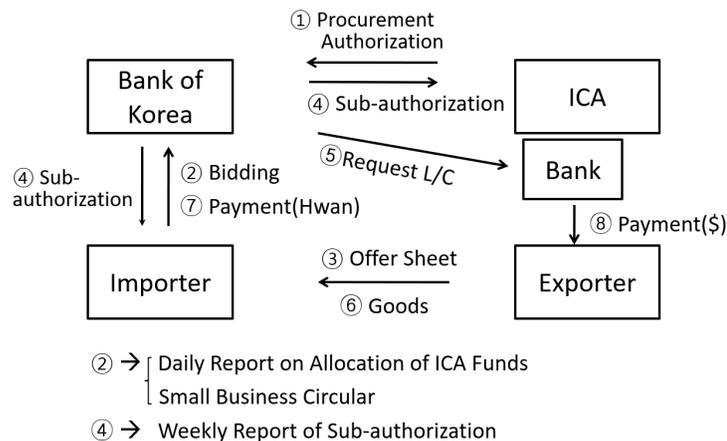
both the Korean office of the US aid agency which received Daily Report from the Bank of Korea and sent them to Washington, and the Washington headquarter which received them retained and preserved the documents. <Table 2-3> below shows the collection list. The Daily Report for 1959 was the most complete with all 12 months.

Table 2-3|Daily Report collection list

| Month | Location |
|----------------|-----------------|
| November 1957 | UD 422 |
| September 1958 | UD 1276 |
| November | |
| December | UD 422 |
| January 1959 | UD 422 |
| February | UD 422, UD 1276 |
| March | |
| April | UD 422 |
| May | |
| June | |
| July | |
| August | |
| September | |
| October | |
| November | UD 1276 |
| December | UD 422, UD 1276 |
| March 1960 | UD 422 |
| April | |
| July | |
| August | |
| September | |

In summary, [Figure 2-11] shows sequences in allocation procedure and where those three kinds of source materials were produced. It should be noted that while the right to import was given to the private companies under competitive bidding and specific end-user method, actual dollar was not transferred to them. The payment was made directly by the US authorities to the overseas exporters and the selected Korean firms deposited Korean currency equivalent to the Bank of Korea.

Figure 2-11| Allocation procedure and firm-level data



Construction of database

Small Business Circular

The information on firm-level allocations of the FOA/ICA assistances to Korea as published in Small Business Circular can be divided into two types: in 1954 and post-1955. As mentioned above, it was not until October 1954 that information to OSB became mandatory. Before that, the Bank of Korea provided information on the winners of each bid to OSB, as shown in [Figure 2-12], which included PA number, product name, firm name, address and amount.

Since 1955, firms seeking allocation had to provide information to OSB under ICA Regulation 1, which was then published on Small Business Circular ([Figure 2-13]). The report format of Regulation 1 cited earlier provides a detailed description of the product which included specification and quantity. It was also required to report this in accordance with the “US Standards” for easy understanding of American companies. In contrast, information about price or dollar amount was not strongly requested. Accordingly, information on firm-level aid allocation published in Small Business Circular since 1955 included PA number, product name, firm name and address but only about 1/4 of the cases included dollar amount information. Even if the information was included, it was difficult to interpret the amount stated as the actual fund received because until 1956 all firms who would participate in the bidding was included regardless of selection results. However, even without the price information, it was possible to obtain additional information compared to, for example, the Daily Report which did not include firm addresses to help distinguish firms with similar names. Because each firm’s participation or winning could also be meaningful information, the database with post-1955 information was also constructed.

Figure 2-12| Firm-level information on SBC, 1954

| P/A No. 89-640-00-995-4238 Cement | | Amount |
|-----------------------------------|--|--------------|
| Name and address | | |
| Junil Ind. Co. | #77-2 2ka Juedong Chungkoo, Seoul | \$11,000.00 |
| Chung Ang Ilbo Co. | 97 lka Eulchilo Chungkoo, | 117,500.00 |
| Kim Woong Chul | 17 Sokongdong Chungkoo, | 10,000.00 |
| Oh Hyung Sook | #433-5 Sinsuldong Dongdaimoonkoo, | 11,000.00 |
| " | " | 11,000.00 |
| Tay hung Co. | 105 Samkakkdong Chungkoo, | 70,500.00 |
| Han Woo Ind. Co. | 289 Kwanchuldong Chonglokoo, | 10,000.00 |
| Han Woo Ind. Co. | 69 2ka Chonglo Chonglokoo, | 11,750.00 |
| Sam Yang Moolsan Co. | 53 Susomoondong Sudaimoonkoo, | 45,000.00 |
| Samsung Moolsan Co. | 61 lka Taipyunglo Chungkoo, | 50,000.00 |
| Daihan Moolsan Co. | 6 2ka Namdaimoonlo Chungkoo, | 47,000.00 |
| Sanyang Moolsan Co. | 53 Susomoondong Sudaimoonkoo, | 30,000.00 |
| Hankuck Sanub Co. | #97-1 lka Eulchilo Chungkoo, | 117,500.00 |
| Korean Zenith Pipe Co. | #36-50 2ka Moonraidong Yungdeungpokoo, | 20,000.00 |
| Pung Han Ind. Co. | 165 lka Eulchilo Chungkoo, | 30,000.00 |
| Samwhan Entp. Co. | 199 lka Eulchilo Chungkoo, | 20,000.00 |
| Kuksaing Ind. Co. | #112-10 Sokongdong Chungkoo, | 11,250.00 |
| Chang Il Yong | 83 Choryangdong, Pusan | 10,000.00 |
| Punghan Ind. Co. | 165 lka Eulchilo Chungkoo, | 30,000.00 |
| Yoon Yung Kyoo | #100-5 lka Heheundong Chungkoo, | 10,000.00 |
| Chun Taik Wan | #105-35 2ka Dodong Chungkoo, | 10,000.00 |
| Korea Sangsa Co. | 195 Shoonhwadong Sudaimoonkoo, | 100,000.00 |
| TOTAL | | \$783,500.00 |

Source: FOA Small Business Circular No. 54-274 (1954.6.15).

Figure 2-13| Firm-level information on SBC, post-1955

| <u>KOREA</u> | |
|----------------------------|------------------|
| Generators and Motors..... | ITEMS 1 AND 2 |
| Industrial Machinery..... | ITEMS 3 THRU 8 |
| Di-Octyl Phthalate..... | ITEM 9 |
| Electrical Apparatus..... | ITEM 10 |
| Non-Ferrous Metal..... | ITEMS 11 THRU 20 |

The importers as listed below have either applied for or have been granted subauthorizations for the purchase of the listed commodities. Interested suppliers should immediately communicate with the buyers. Since purchases will be handled on a commercial basis, further details prior to contracting will not be received by the ICA Office of Small Business. (When brand names are given, suppliers desiring to offer competitive items should also contact the buyers.)

ITEMS 1 AND 2

PA No.: 89-710-99-H9-7226

ITEM 1

Commodity: Diesel-Generator (A) approx 700 KW, 3300 volts, one set
60 cycle, three phase A.C.
generator including
switch board, and necessary
spart parts for complete set

(B) Alternative
approx 350 KW, other two sets.
specification same as above

Buyer: Yun Suk Joon, Chosun Flour Mills Co., No. 360 Yongdongpo Dong, Seoul, Korea.

Source: ICA Small Business Circular No. 57-69 (1957.4.27).

The database was constructed in the same format without distinguishing between 1954 and post 1955. The variables in the database are as shown in the <Table 2-4> below. Detailed description of the products was excluded due to length and also considering its irrelevance for the purpose of constructing micro database in order to reexamine the efficiency of aid fund allocation. The number of observations in Small Business Circular is 12,281. Among them, 1,265 observations are covering bidding outcomes in 1954, and the other 10,016 observations covering period from 1955 to November 1961.

Table 2-4|Database of Small Business Circular

| Variables | Description |
|------------------------|--|
| Photo File Name & Page | In order to make accessing the original source easier |
| SBC No. | Issues with information on aid allocation in Korea |
| Date | Publication date |
| Item Name | Product name. Usually listed in the SBC table of contents |
| Item No. | Number designated to each buyer. If the number is written in SBC, record as it appears. If not listed, allocate a number |
| PA No. | PA number |
| Buyer | Name of buyer |
| Address | Address of buyer. Omit 'Korea' at the end. |
| Dollar Amounts | Record if there is an amount |
| Remarks | Other information |

Weekly Report of Sub-authorization

The Weekly Report recorded both quantity and amount as well as the supplier's (i.e. exporter's) name and address as it recorded information on the firms who received sub-authorization ([Figure 2-14]). There was nothing as complex as SBC's product description and therefore everything on the report was included in the database. Even though certain weeks' information was recorded in the original report by the Bank of Korea while the others were copies in the Financed Awards, they were all constructed as one database as there was no difference in format (<Table 2-5>). The database included both goods for civilian demand and specified end-user. The number of observations for 19 weeks is 2,660.

Figure 2-14| Firm-level information in Weekly Report

| SBA No. 57-28 June 19, 1957 (W/L: 24) | | WEEKLY REPORTS OF SUBAUTHORIZATIONS ISSUED BY THE BANK OF KOREA | | | | |
|---|--------|--|--------------------|-----------|---------------|---------------------------------|
| OAS/R- 017 | | FROM: April 29, 1957 TO: May 4, 1957 | | | | |
| PA No. | SA No. | Name and Address of Importer | Commodity | Quantity | Amount (US\$) | Name and Address of Supplier |
| 720 | -377 | Wen Chang Trading Co., Ltd. 24, 1-ka, Chungmu-ro, Chung-ku Seoul | Viscose Rayon Yarn | 33,000 lb | 17,380.00 | Italviscosa Sp.A. Italy. |
| " | -378 | Federation of Korean Knitting Industry Assn. 21 Seokong-dong Chung-ku, Seoul | Twisted Nylon Yarn | 9,900 lb | 19,998.00 | American Progress Corp. N.Y. |

Source: ICA Financed Awards No. 57-28 (1957.6.19).

Table 2-5|Database of Weekly Report

| Variables | Description |
|---------------------|---|
| Photo File Name | In order to make accessing the original source easier |
| SBA No. | If published in the Financed Awards, relevant issue number |
| Date | If published in the Financed Awards, relevant issue date In case of original copy published by the Bank of Korea, last day of the period |
| Week | Period as it appears on the cover page or top of the <i>Weekly Report</i> , Recorded as “Feb 11 to Feb 16” as they were all issued in 1957 |
| PA No. | PA number |
| SA No. | SA number |
| Importer | Name of importer |
| Address of Importer | Address of importer |
| Commodity | Product name |
| Quantity | Quantity, including the unit of measure |
| Amount | Dollar amounts |
| Supplier | Supplier name |
| Address of Supplier | Address of supplier, usually a city |
| Remarks | Other information |

Daily Report on Allocation of ICA Funds

The Daily Report is a record of every bidding outcome. It contains the amount of bid and exchange rate tax for each successful and unsuccessful bidder, but without detailed description of products as included in Small Business Circular or information on the supplier as provided in the Weekly Report ([Figure 2-15]). Since it has only names of the bidders without their addresses, it is hard to distinguish firms with the same or similar English words or romanization. In order to overcome the issue, information in Small Business Circular with regard to the same PA can be used. No Daily Report found so far covers the same period with the Weekly Report collected.

The Daily Report contains bidding result for each bid on a separate page, which contains basic information on each bid, such as the amount offered, the deadline of the contract, and the maximum and minimum amount applicable, etc., as well as each bidder’s application information. As a result, there are much more variables in the Daily Report database compared to Small Business Circular or Weekly Report. In the <Table 2-6> below, 19 variables from PA number to number of unsuccessful bidder are information for each bid. The remaining 8 variables were information for each bidder.

There are total of 1,082 bidding records during the 21 months period; 164 of them with no applicants. The number of firm observations are 11,917 among which 6,427 are successful bidders.

Figure 2-15| Firm-level information in Daily Report

| DAILY REPORT ON ALLOCATION OF ICA FUNDS | | | | | | | |
|---|---|--------------------------------|---------|-------------------------|---------------------|-----------------------------|-------------|
| K-TC-4W-333A | | No. 257 | | | Sheet 1 of 4 Sheets | | |
| PA No. | 0206 | Maximum Amount Applicable (\$) | 300,000 | Amount Offered (\$) | 1,500,000 | Date | Oct. 28, 59 |
| Terminal Contract Date | May 31, 59 | Minimum Amount Applicable (\$) | 2,000 | Total Amount Bid (\$) | 3,281,000 | No. of Applicants | 53 |
| PA Value (\$) | 3,000,000 | | | Amount Allocated (\$) | 1,281,000 | No. of Successful Bidders | 9 |
| Code No. | 771 | | | Amount Unallocated (\$) | 179,000 | No. of Unsuccessful Bidders | 74 |
| Commodity | Raw Rubber | | | | | | |
| Allocation Period | Oct. 28, 59 | | | | | | |
| Complete <input type="checkbox"/> | Partial <input checked="" type="checkbox"/> | | | | | | |

| Successful Bidder | Dollar Amount Awarded | Initial Deposit Hwan Rate | Total Amount of Initial Deposit in Hwan | Foreign Exchange Tax Rate in Hwan | Total Amount of Foreign Exchange Tax in Hwan | Remarks |
|---------------------------------------|-----------------------|---------------------------|---|-----------------------------------|--|---------|
| Shin Chuck Sa | 150,000 | 300 | 45,000,000 | 580 | 87,000,000 | |
| Tai Hwa Rubber Ind. Co. | 30,000 | 300 | 24,000,000 | 570 | 45,600,000 | |
| Dong Yang Rubber Enterprise Co., Ltd. | 150,000 | 300 | 45,000,000 | 550 | 82,500,000 | |
| Dong Yang Rubber Ind. Co., Ltd. | 50,000 | 300 | 15,000,000 | 540 | 27,000,000 | |
| Dong Shin Chemical Co., Ltd. | 300,000 | 300 | 90,000,000 | 550 | 165,000,000 | |
| Kook Je Chemical Co., Ltd. | 300,000 | 300 | 90,000,000 | 550 | 177,000,000 | |
| Dong Nam Woollean Co. | 150,000 | 300 | 45,000,000 | 580 | 87,000,000 | |
| Tae Hwa Rubber Ind. Co. (Seoul) | 65,000 | 300 | 19,500,000 | 550 | 35,750,000 | |
| Dae Han Rubber Ind. Assn. | 76,000 | 300 | 22,800,000 | 560 | 44,280,000 | |
| Total | 1,421,000 | | 396,300,000 | | 739,610,000 | |
| Unsuccessful Bidder | Applied | | | | | |
| Yoo Young Slip Co., Ltd. | 20,000 | 300 | 6,000,000 | 160 | 3,200,000 | |
| Hi Sang Ind. Co., Ltd. | 10,000 | 200 | 2,000,000 | 150 | 1,500,000 | |
| Shin Duk Comm. Co., Ltd. | 10,000 | 300 | 3,000,000 | 250 | 4,500,000 | |
| Shin Young Ind. Co., Ltd. | 10,000 | 300 | 3,000,000 | 430 | 4,300,000 | |
| Dong Hwa Ind. Co., Ltd. | 30,000 | 300 | 9,000,000 | 180 | 5,400,000 | |
| Han Sung Slip Co., Ltd. | 5,000 | 300 | 1,500,000 | 300 | 1,500,000 | |
| Shin Il Trading Co., Ltd. | 20,000 | 300 | 6,000,000 | 180 | 3,600,000 | |
| Hwa Sang Trading Co., Ltd. | 68,700 | 300 | 20,610,000 | 260 | 17,862,000 | |

Source: Korea Subject Files, Office of Far Eastern Affairs, RG 469.

Table 2-6|Database of Daily Report

| Variables | Description |
|--|---|
| Photo File Name & Page | In order to make accessing the original source easier |
| Year & Month | As published on the cover page |
| PA No. | PA number |
| Terminal Contract Date | Contract deadline |
| PA Value | Total dollar amount of PA |
| Code No. | Code of product designated by ICA |
| Value | Dollar amount of specific product in case one PA covers multiple products |
| Commodity | Product name |
| Allocation Period | Bidding period |
| Complete or Partial | Whether entire amount offered was allocated or not |
| Bid No. | Bidding reference number |
| Maximum & Minimum Amount Applicable | - |
| Amount Offered | - |
| Total Amount Bid | - |
| Amount Allocated | - |
| Amount Unallocated | (Amount offered) - (amount allocated) |
| Date | End date of bid in case allocation period is more than one day |
| No. of Applicants | Number of bidders participated |
| No. of Successful Bidders | - |
| No. of Unsuccessful Bidders | - |
| Successful or Unsuccessful Bidder | Whether the relevant bidder was successful or not ("S" or "U") Name of the bidder, "Total" for sum |
| Dollar Amount Awarded or Applied | - |
| Initial Deposit Hwan Rate | Rate of deposit (how much deposit was paid per dollar) |
| Total Amount of Initial Deposit in Hwan | (Dollar amount awarded or applied) * (initial deposit hwan rate) |
| Foreign Exchange Tax Rate in Hwan | Rate of foreign exchange tax (how much foreign exchange tax would be paid per dollar if succeeded) "National Bond Hwan Rate" in November 1957 report |
| Total Amount of Foreign Exchange Tax in Hwan | (Dollar amount awarded or applied) * (foreign exchange tax rate in hwan) "Total Amount of National Bonds in Hwan" in November 1957 report |
| Remarks | Other information |

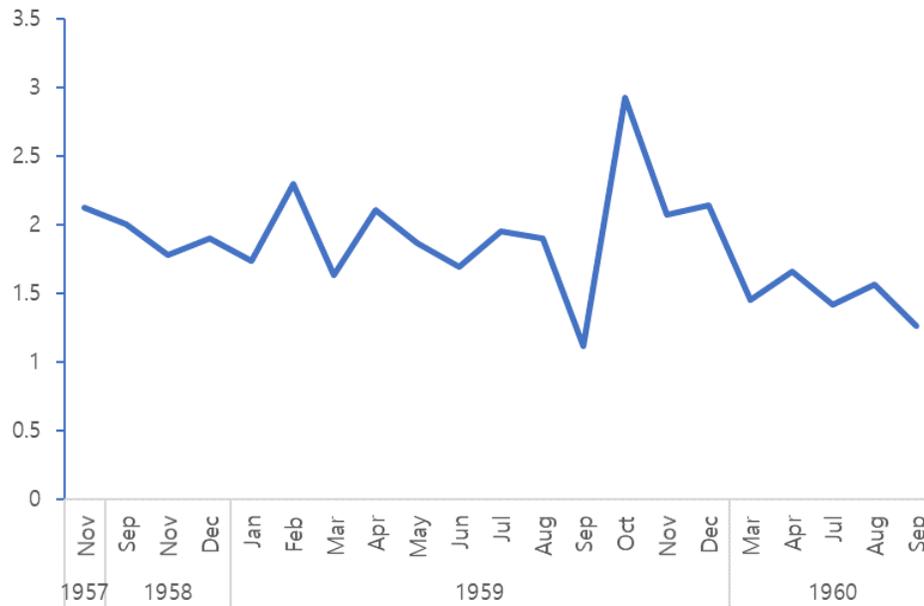
Foreign aid allocation to Korean firms

Research framework

The data presented in the previous chapter provide information on the allocation of aid at the firm level. In this chapter, I will use these data to review the conventional understanding on the economic effects of aid in the 1950s. One problem with the distribution of aid in the 1950s identified by previous research is discretionary distribution by the government and the resulting corruption (Cho 1996: 210; Kim 1999: 138). However, goods for civilian demands, which accounted for a large portion of aid funds, were institutionally supposed to be allocated according to objective criteria such as lottery or bidding. Also, it is likely that bidding was competitive as the monthly amount bid was approximately double the amount offered according to the records in the Daily Report ([Figure 3-1]). Admittedly, the fairness of aid allocation cannot be discussed entirely in terms of institutions and average figures and would need to be evaluated by a direct examination of firm-level data. The absence of micro-level data capable of revealing the fairness of aid partly explains why previous research findings have been accepted uncritically so far.

Among the three kinds of data presented above, Daily Report is the most useful for examining aid fairness as it contains bidding results. Daily Report includes information on unsuccessful bidders, allowing to find out how many times each firm made a bid and how many times it succeeded. It also reveals the price (= exchange rate) conditions on which goods for civilian demands were auctioned off, and the researcher can calculate how much the firm that made the successful bid benefited from such an allocation of aid funds. However, Daily Report currently retrieved by the authors contains only 21 out of the entire 46 months, and a full 12-month coverage is available only for the year 1959. As the items of aid may vary seasonally, we will limit our analysis to the year 1959.

Figure 3-1 | Average monthly competition rate in foreign aid allocation



Note: competition rate = total amount bid / amount offered Source: Daily Report on Allocation of ICA Funds

If aid funds were distributed competitively and fairly to firms in the 1950s, we would be able to approach its impact on the growth of the South Korean economy from a different angle from what has hitherto been understood, by examining the relationship between aid and company growth. As it is firms that produce goods and services in the economy, the growth of firms is intimately related to the growth of the economy. The fact that only a few of the firms that achieved success in the period of rapid economic growth from the 1960s have their origins prior to independence presses the need to empirically examine the impact of aid on firm growth. Until now, the impact of aid on firm growth was largely seen in a negative light as the allocation of aid funds was usually understood to have been stained by corruption and favoritism.

A major obstacle to conducting such an examination is the fact that there is hardly any data that show the financial situation of firms prior to the 1960s. The earliest available record is Comprehensive Survey of Korean Firms: 1973 edition published by the Korea Productivity Center that contains information on the assets and sales of major firms for the three years from 1970 to 1972. Because of these obstacles, I will focus my analysis on the long-term effect of aid on the growth of firms.

The analysis was conducted through the following procedures: As the Daily Report for the twelve months in 1959 recorded firm names in English and sometimes used different

names for the same firm, I need to discern them by using various Korean-language lists of firms in the 1950s such as the firm lists published by the Korea Chamber of Commerce and Industry in 1956 and 1958, the list of registered traders compiled by Korea International Trade Association, and the List of Corporations issued by the Ministry of Finance in 1959 for the purpose of corporate tax collection. Among these Korean-language references, the list of registered traders was particularly useful as it contained firm names in both Korean and English ([Figure 3-2]). Through this method, we were able to confirm the original Korean firm names of 77 percent of the total 6,669 observations (<Table 3-1>). For these firms, I could also confirm their business categories (= industry) from the information on the various firm lists. The business categories were taken from the list of firms by the Korea Chamber of Commerce and Industry.

Figure 3-2| List of registered traders

| 九 | 八 | 七 | 六 | 五 | 四 | 三 | 二 | 一 | 番登 號錄 | 商 號 | 代 表 者 | 本 埠 |
|--|---------------------------------|---|--|-------------------------------|---------------------------------------|--|---|---------------------------------|----------|--------|-------------------|--------------|
| 三光水產株式會社 SAM KWANG FISHERY CO., LTD. | 共成產業株式會社 KONG SUNG CO., LTD. | 永豐海運株式會社 YOUNG POONG SHIPPING CORPORATION | 相信產業株式會社 SANGSHIN INDUSTRIAL CO., LTD. | 株式會社 天友社 CHUNUSA CO., LTD. | 星實產業株式會社 SUNGSHIL COMPANY, LTD. | 遠洋貿易株式會社 TRANS-PACIFIC CORPORATION | 共生產業株式會社 KONGSAENG INDUSTRIAL CO., LTD. | 有限會社信一商會 SHINIL COMPANY LTD. | | | 朴會吉 Fo Kil Pak | 釜山市中 서울特別 |
| | 金玉炫 Kim Ok Hyeon | 崔基鎬 Choi Ki Ho | 徐伯允 P. Y. Suh | 全澤瑛 Chun Taik Fo | 張運善 W. S. Chang | 李亨植 Lee Hyo Sik | 朴承佑 Park Seung Woo | 崔利赫 Choi Li Hyuk | | | 釜山市中 서울特別 | |

Source: Korea International Trade Association, International Trade Yearbook: 1956-57.

The variables we considered important for determining the fairness of aid to each firm were the number of bid applications, success rate, average exchange tax, average exchange gain, total aid amount received, and rent. The fund for goods for civilian demand in 1959 was allocated based on competitive bidding on exchange rate, and actual bid exchange rates were the sum of the official exchange rate of 500 hwan per dollar and the foreign exchange tax per dollar. [Figure 3-3] compares the highest successful bid exchange rate, lowest successful bid exchange rate, and weighted average successful bid exchange rate by month to market and official exchange rates.³¹⁾ As shown in [Figure 3-3], the highest successful bid exchange rate followed a similar trend as that of the market exchange rate,

indicating that the bidders were closely aware of the market exchange rate. The lowest successful bid exchange rate was 650 hwan, namely 150 hwan above the official exchange rate since the South Korean government was collecting at least 150 hwan per dollar of foreign exchange tax in aid allocation, in order to increase its tax revenue. The average successful bid exchange rate lay between the market and official exchange rates. Therefore, firms that were allocated aid funds could gain profit in their imports by a margin equivalent to the difference between the market exchange rate and the successful bid exchange rate. The “rent” obtained by each firm can be calculated by multiplying this margin (= exchange rate gain) by the total amount of aid it received.

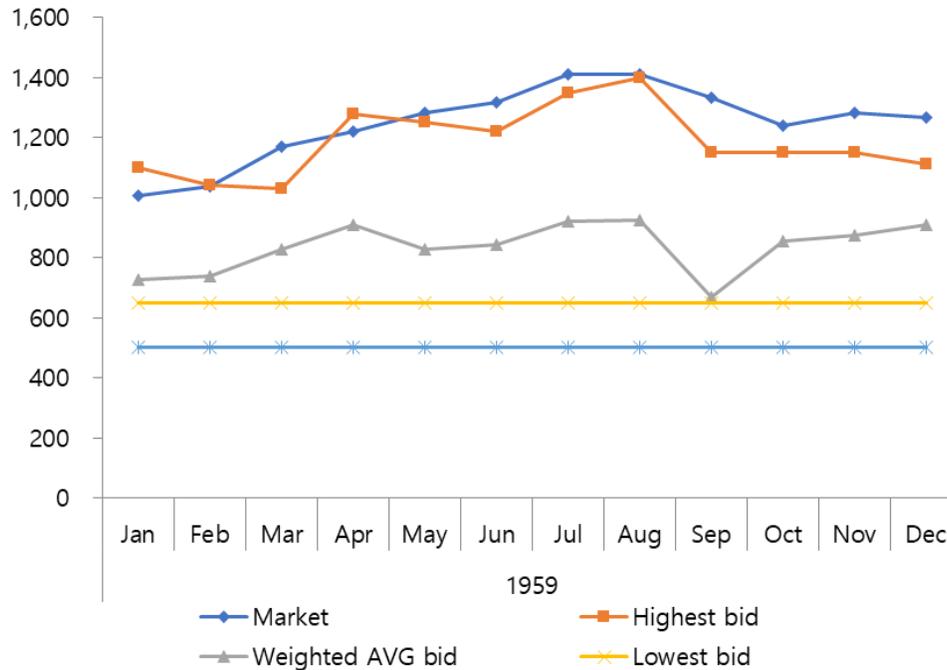
Table 3-1| Discerned firms recorded in the 1959 Daily Report

(Unit: number of observations)

| Industry | Successful bidders | Unsuccessful bidders | Sum |
|---------------------|--------------------|----------------------|--------------|
| Finance | 6 | 1 | 7 |
| Commerce | | | |
| International trade | 1,208 | 1,773 | 2,981 |
| Domestic wholesale | 8 | 1 | 9 |
| Other | 19 | 10 | 29 |
| Manufacturing | | | |
| Textile | 370 | 217 | 587 |
| (Cotton) | 112 | 26 | 138 |
| (Wool) | 68 | 42 | 110 |
| Chemical | 441 | 238 | 679 |
| Metal & Machinery | 136 | 119 | 255 |
| Food | 92 | 62 | 154 |
| (Sugar) | 23 | 20 | 43 |
| (Wheat Flour) | 39 | 6 | 45 |
| Ceramic | 25 | 17 | 42 |
| Lumber | 48 | 54 | 102 |
| Other | 40 | 20 | 60 |
| Transportation | 16 | 15 | 31 |
| Construction | 16 | 26 | 42 |
| Mining | 10 | 4 | 14 |
| Publication | 5 | 4 | 9 |
| Organization | 75 | 32 | 107 |
| Other | 21 | 7 | 28 |
| <i>Undiscerned</i> | 740 | 793 | 1,533 |
| Total | 3,276 | 3,393 | 6,669 |

31) Foreign exchange was managed exclusively by the Bank of Korea in the 1950s, and those who wanted to hold foreign exchange were required to create an account at the Bank of Korea and deposit all of them. As the official exchange rate at that time overvalued the Korean hwan, firms that earned US dollars through exports preferred to deposit them into their accounts and sell them to other firms in need of US dollars than to change them to Korean hwan at the official exchange rate. The price of the US dollar set by such a process was called ‘export dollar exchange rate’ and was the prevalent ‘market exchange rate’ at the time.

Figure 3-3| Comparison of exchange rates in aid allocation



Source: Daily Report on Allocation of ICA Funds

Another factor we paid attention to for examining aid fairness is the amount of capital recorded in the 1959 List of Corporations ([Figure 3-4]). This was on the assumption that larger firms are more likely to engage in unfair practices through their close relationship with the government. Capital is the only data that can be used to infer aid fairness in the absence of other types of financial data. As the data on firms' capital amounts in the late 1950s is recorded in the 1959 List of Corporations, we merged it to our database presented above. Two types of capital amounts were recorded by largely a colonial legacy: nominal capital and paid-in capital. We used the latter for our analysis. We also made use of firm age that we calculated from the data on founding year recorded in the 1959 List of Corporations as older firms might possess a certain know-how that is not reflected in the amount of capital.

Next, in order to examine the long-term effect of aid on the growth of Korean firms, we merged the above database to Comprehensive Survey of Korean Firms: 1973 edition ([Figure 3-5]). We selected sales, equity, and the number of workers as indicators of firm size in the early 1970s and ROE, sales on equity, return per worker, sales per worker, net profit as indicators of the rate of return. All variables were assigned the average figure for the period 1970-1972. <Table 3-2> lists the descriptive statistics of the database constructed through these mergers of various data and records. We divided the 2,112 firms

found in the 1959 Daily Report into four groups depending on whether they can also be found in the 1959 List of Corporations and Comprehensive Survey of Korean Firms: 1973 edition. One hundred and eighty-four firms could be found in both records; 496 were found only in the former, and 105 in the latter.³²⁾ For comparison, we presented the statistics for the total 2,998 firms recorded in the 1959 List of Corporations but not in the 1959 Daily Report as well as the 5,138 firms recorded in Comprehensive Survey of Korean Firms: 1973 edition but not in the 1959 Daily Report. The figures for foreign exchange tax, foreign exchange gain, aid amount received, and rent shown in the below table were averaged only from successful bids.

Figure 3-4| Firm information on 1959 List of Corporations

| 所管署名 | 本社所在地 | 工場所在地 | 法人名 | 代表者 | 公稱資本 | 實收資本 | 事業 | 年度 | 登記年月日 | 同非 |
|------|--------------|---------------|------------|-----|--------|--------|-----|-------|-------|----|
| 中部 | 南大門路 二一三三 | 釜山市凡一洞 八七五 | 京新産業株式會社 | 柳昌烈 | 一〇〇〇〇〇 | 一〇〇〇〇〇 | 貿易 | 自一九〇月 | 四二八八 | 同 |
| " | 南大門路 二一三三 | 釜山市凡一洞 八七五 | 京南毛紡工業株式會社 | 趙奉九 | 一〇〇〇〇〇 | 一〇〇〇〇〇 | 毛紡織 | 自一九〇月 | 四二九一 | " |
| " | 忠武路 一〇二六 | 大邱市飛山洞 一八〇 | 京安商事株式會社 | 金泰煥 | 二〇〇〇〇〇 | 二〇〇〇〇〇 | 貿易 | 自三月 | 四二八二 | " |
| " | 明洞二一八二 | | 京紡實業株式會社 | 崔八守 | 二〇〇〇〇〇 | 二〇〇〇〇〇 | 貿易 | 自三月 | 四二八九 | " |
| " | 北倉洞七四 | | 京邦建設株式會社 | 劉澤賢 | 二〇〇〇〇〇 | 二〇〇〇〇〇 | 貿易 | 自一月 | 四二九〇 | " |
| " | 明洞二一七八 | | 京邦産業株式會社 | 崔在恒 | 二〇〇〇〇〇 | 二〇〇〇〇〇 | 貿易 | 自三月 | 四二八六 | " |
| " | 忠武路 一〇二八 | | 桂成産業株式會社 | 閔渭植 | 一五〇〇〇〇 | 一五〇〇〇〇 | 貿易 | 自六月 | 四二八九 | " |
| " | 仁峴洞二一 | 仁峴洞 | 京南企業株式會社 | 鄭源成 | 一〇〇〇〇〇 | 一〇〇〇〇〇 | 貿易 | 自五月 | 四二八九 | " |
| " | 南山洞三〇一一 | | 京城電氣工業株式會社 | 金正秀 | 一〇〇〇〇〇 | 一〇〇〇〇〇 | 電氣 | 自三月 | 四二八二 | " |
| 乙支路 | 乙支路 六六一八 | | 京畿旅客自動株式會社 | 李載學 | 三〇〇〇〇〇 | 三〇〇〇〇〇 | 自動車 | 自三月 | 四二七三 | " |
| " | 小公洞一一二 | | 京城不動產株式會社 | 李鐵鍾 | 五〇〇〇〇〇 | 五〇〇〇〇〇 | 貨物 | 自四月 | 四二六七 | " |
| " | 水標洞二一 | | 京新旅客自動株式會社 | 高玉應 | 二二五〇〇〇 | 六五〇〇〇 | 貨物 | 自三月 | 四二八七 | " |

Source: List of Corporations: as of January 1, 1959, p.2

32) I could find only 680 out of the entire 2112 companies recorded the 1959 Daily Report because many of the latter were not corporations.

Figure 3-5| Firm information on Comprehensive Survey of Korean Firms

(株)樂喜化學工業社

| | | | |
|---------|---|-----------|-----------------------------------|
| 〔設立年月日〕 | 1954.8 | 〔營業種目〕 | 프라스틱製品, 齒藥, 비누 製造業 및 輸出入業 |
| 〔本社〕 | 서울特別市中區桃洞1街3-106 ㉔ 1771, 2951 | | |
| 〔營業鑑札〕 | 105-61-3922 | 〔私書函〕 | I.P.O.Box 1088 C.P.O. Box 5443 |
| 〔Cable〕 | LUCKCHEM SEOUL | 〔Telex〕 | LUCKYSL 2435S |
| 〔工場〕 | (齒藥, 비누) 釜山市釜山鎮區草邑洞271-4 ㉓ 3845-8 (비닐製品) 釜山市東萊區溫泉洞700 ㉓ 0181-4 (프라스틱製品) 釜山市釜山鎮區蓮池洞353 ㉓ 1231-4 (合成洗劑) 京畿道安養市虎溪洞 ㉓ 4111-2 | | |
| 〔主要營業所〕 | 大邱 ㉓1896 大田 ㉓1567 清州 ㉓3821 全州 ㉓4103 光州 ㉓3177 江陵 ㉓4618 晉州 ㉓2602 濟州 ㉓3154 | | |
| 〔任 員〕 | (代・會)具滋景 (代)許愼九 (專)洪性彥, 李 憲祖 (常)朴佑萬, 朴相鎬, 南相斌, 具滋元 | | |
| 〔從業員〕 | 3,500人 | | |
| 〔資産・資本〕 | 1970年 | 1971年 | 1972年 |
| 總資産(千圓) | 6,359,991 | 7,584,792 | 9,653,814 |
| 流動資産(%) | 3,221,428 | 4,266,326 | 5,999,852 |
| 固定資産(%) | 3,138,563 | 3,318,466 | 3,653,962 |
| 流動負債(%) | 2,302,547 | 3,526,246 | 4,184,227 |
| 固定負債(%) | 518,756 | 516,717 | 1,564,510 |
| 自己資本(%) | 3,538,688 | 3,541,830 | 3,905,077 |
| 資本金(%) | 2,500,000 | 2,500,000 | 2,500,000 |
| 〔經營實績〕 | | | |
| 賣出額(千圓) | 7,574,208 | 9,357,043 | 11,769,250 |
| 輸出額(千圓) | 966 | 2,113 | 5,275 |
| 純利益(千圓) | 543,944 | 518,965 | 856,446 |
| 配當率(%) | 12.8 | 8 | 14.8 |

Source: Comprehensive Survey of Korean Firms: 1973 edition, p.231

The average number of bids made by the 2,112 firms that took part in the allocation of aid funds was 3.5 times in a year of 1959 with a success rate of 53%. In case of success, the average foreign exchange tax was 361 hwan per dollar, and the average exchange rate gain generated from its difference from the market exchange rate was 401 hwan per dollar. The average amount of the successful bid was 50,000 dollars, and the resulting rent 241,000 Korean hwan. The 184 firms that were recorded in the 1959 List of Corporations as well as Comprehensive Survey of Korean Firms: 1973 ed. made on average a significantly higher number of bids at 9.1 times but had a slightly higher success rate at 64 %. An interesting fact to note is the difference in the average rent between firms that survived until 1973 and those that did not: the ones that did survive earned a much higher rent on average. This suggests that the allocation of aid funds may have positively affected the survival and persistence of firms.

Table 3-2| Descriptive statistics of the merged database

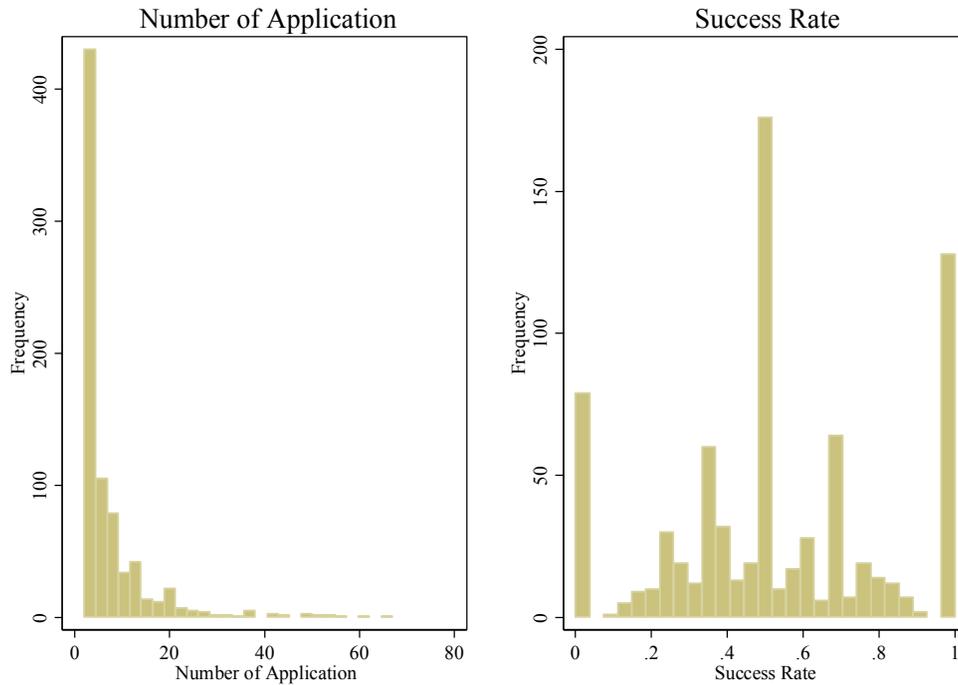
| Database linkage | | | | | | | | | |
|---------------------------------------|--------|--------|--------|--------|--------|--------|--------|------|------|
| Daily Report | Y | | Y | | Y | Y | Y | N | N |
| 1973 business directory | Y or N | | Y | | Y | N | N | Y | N |
| 1959 business directory | Y or N | | Y | | N | Y | N | N | Y |
| Variables | Mean | SD | Mean | SD | Mean | | | | |
| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) |
| Num of firms found | 2112 | | 184 | | 105 | 496 | 1327 | 2998 | 5138 |
| Aid and bidding information in 1959 | | | | | | | | | |
| Number of bid applications | 3.51 | 6.31 | 9.14 | 11.48 | 5.56 | 6.41 | 1.78 | | |
| Success rate | 0.53 | 0.43 | 0.64 | 0.33 | 0.54 | 0.56 | 0.51 | | |
| Foreign exchange tax (hwan/dollar) | 361.21 | 201.40 | 300.87 | 159.19 | 371.25 | 346.92 | 378.54 | | |
| Foreign exchange gain (hwan/ dollar) | 400.87 | 195.00 | 463.67 | 167.49 | 394.17 | 412.50 | 383.99 | | |
| Aid amount received (mil. dollar) | 0.05 | 0.19 | 0.24 | 0.44 | 0.10 | 0.09 | 0.02 | | |
| Rent (mil. hwan) | 24.07 | 105.68 | 116.18 | 257.36 | 42.75 | 39.72 | 6.54 | | |
| Firm variables c. 1973 | | | | | | | | | |
| Firm size | | | | | | | | | |
| Sales (mil. KRW) | | | 3.10 | 3.82 | 1.57 | | | 0.95 | |
| Equity (mil. KRW) | | | 0.79 | 1.44 | 0.45 | | | 0.40 | |
| Number of workers (1,000) | | | 1.13 | 1.75 | 0.63 | | | 0.34 | |
| Rate of return | | | | | | | | | |
| Return on equity | | | -0.02 | 2.10 | 0.34 | | | 0.14 | |
| Sales on equity | | | 7.35 | 27.38 | 33.51 | | | 6.04 | |
| Return per worker (1,000 KRW) | | | 0.21 | 0.60 | 0.13 | | | 0.14 | |
| Sales per worker (1,000 KRW) | | | 4.43 | 5.63 | 2.24 | | | 3.49 | |
| Return (=net profit) (mil. KRW) | | | 0.24 | 1.69 | 0.09 | | | 0.04 | |
| Capital growth (mil. KRW / 1000 hwan) | | | 4.22 | 30.12 | | | | | |
| Firm variables in 1959 | | | | | | | | | |
| Paid-in capital (1000 hwan) | | | 36.56 | 133.02 | | 10.10 | | | 4.59 |
| Firm age (years) | | | 7.3 | 6.2 | | 5.4 | | | 6.4 |

Notes: We calculated average aid and bidding information from the 1959 Daily Report for each firm, and merged them with the 1959 and 1973 business directory. In the calculation, we consider foreign exchange tax, exchange gain, aid amount and rent only if the bidding was successful. Then, we clustered each firm into six groups according to whether it was found in Daily Report, 1973 business directory, and/or 1959 business directory. In the table, we report each variable's mean and standard deviation among firms in each group.

Fairness of foreign aid allocation

[Figure 3-6] shows the annual distribution of the number of bid applications and success rates for 2,112 firms in 1959 Daily Report. As for the number of bid applications, there was a considerable difference among firms. Although it was the most common for firms to apply just once or twice, there were some that applied more than 60 times, showing that at least some firms were making applications frequently. The success rate was concentrated around the 50 percent line and showed a symmetrical distribution. This is in accordance with the 2 to 1 competition shown in [Figure 3-1] and demonstrates that the allocation of aid funds was quite competitive.

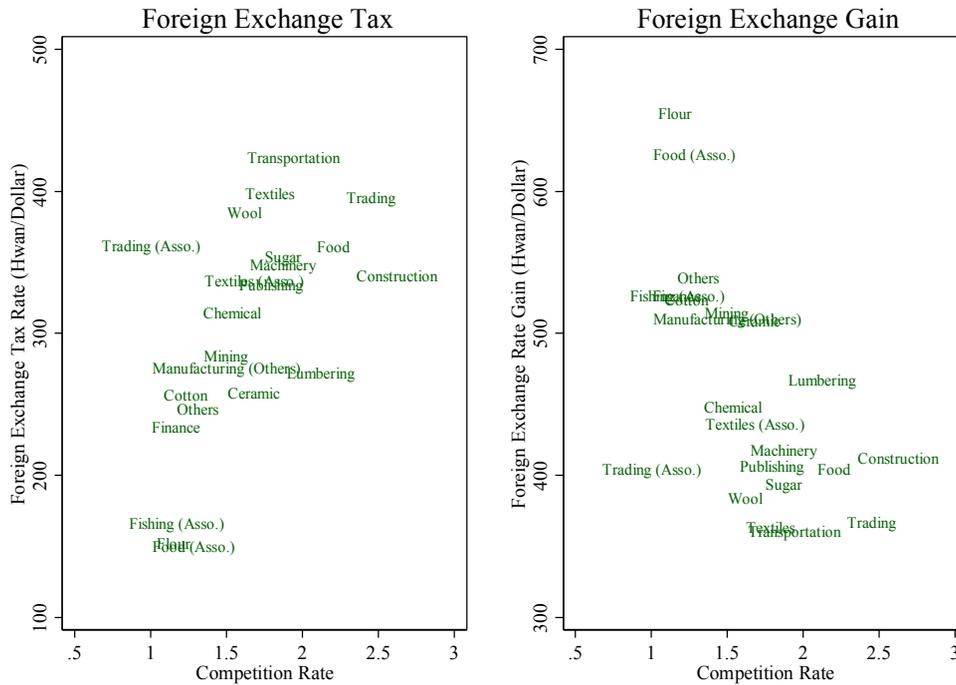
Figure 3-6| Bid applications and success rate



Source: the merged database

Price is an important indicator of the competitiveness and fairness of bidding outcomes. In competitive biddings for aid funds, the exchange rate was the price. As shown in [Figure 3-3], the average successful bid exchange rate follows a similar trend as the market exchange rate (although at a lower level), which implies that the successful bids were determined competitively. Our firm-level database, a relatively micro-level data set, showed that prices were most likely set competitively. [Figure 3-7] groups the 2,112 firms into 22 business categories and traces the relationship between the competition rate (the inverse of success rate) and the average successful bid foreign exchange tax. As expected, the competition rate were positively correlated with successful bid exchange rates. Foreign exchange gain – the gap between market exchange rate and successful bid exchange rate – was inversely related to odds.

Figure 3-7| Competition and foreign exchange tax by industry



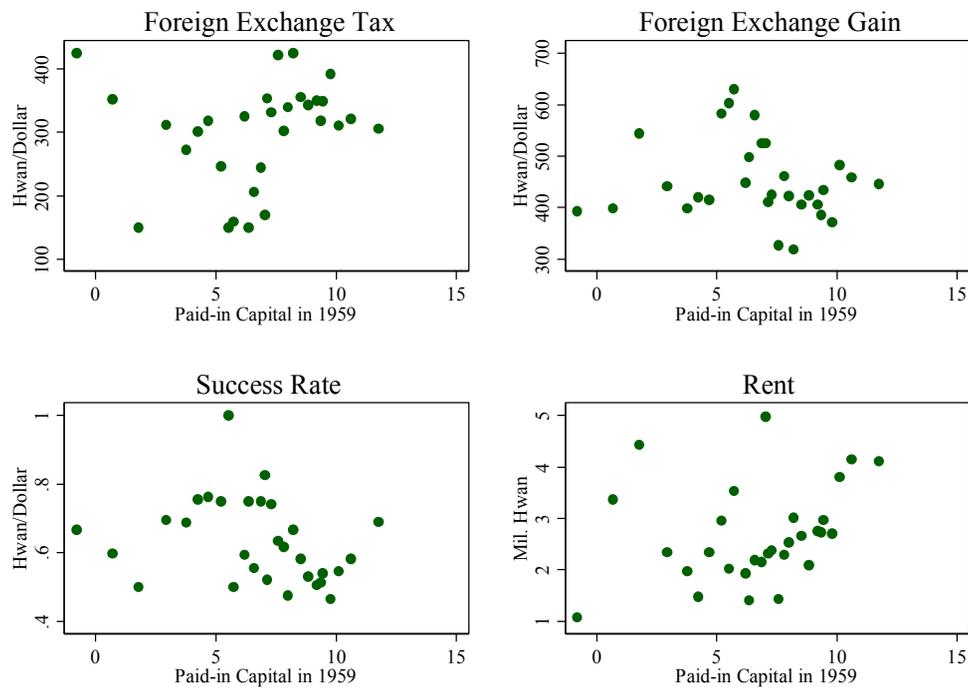
Source: the merged database

Next, we examine how initial (paid-in) capital affects bidding outcomes in order to check whether large firms may have engaged in unfair practices by using their power within the industry or connection to the government. [Figure 3-8] divides the 680 firms found in both the 1959 Daily Report and the 1959 List of Corporations into 30 groups according to the amount of capital and traces the relationship among success rate, successful bid exchange rate, and rent. The paid-in capital in 1959 had no apparently positive or negative relationship with success rate and successful bid exchange rate, which indicates that firms with different initial conditions were facing a quite similar situation in their competition for aid rent. While it seems that larger firms earned more rent, this will be discussed later.

Based on the above observations, we will now examine aid fairness through regression analysis. The dependent variables are the four types of bidding outcomes we examined above: foreign exchange tax, foreign exchange gain, success rate, and rent. The explanatory variable is the amount of paid-in capital in 1959. <Table 3-3> shows the outcome of the regression analysis. (1), (3), (5), (7) did not use any control variables, and (2), (4), (6), (8) used firm age, the number of successful bids, and industry as control variables. Among the independent variables, foreign exchange tax, foreign exchange gain, and success rate

did not show a positive relationship with the amount of capital. Success rate actually showed a negative relationship with the amount of capital in the absence of any control variable. When control variables were used, the significance of the coefficient disappeared, and success rate was found to be in a negative relationship with the number of successful bids. Such relations between variables imply the possibility that larger companies made more bid applications even at the expense of a lower success rate. On the other hand, rents that firms obtained was positively affected by firms' initial capital; however, significance disappeared when number of bid applications was controlled. So, the fact that larger firms earned more rent could be understood as the result of more bid applications.

Figure 3-8| Firm's initial condition and aid allocation



Source: the merged database

The fact that the initial conditions of firms had no impact on foreign exchange tax or foreign exchange gain indicates that the allocation of aid and the relevant bidding process was fair. While larger companies earned more rent, this does not signify unfairness as they made more bid applications. If firms with better initial conditions were the more competent ones, the relation may be interpreted that more rent was allocated to competent firms.

Table 3-3| Estimated effects of firm paid-in capital in 1959 on bidding outcomes

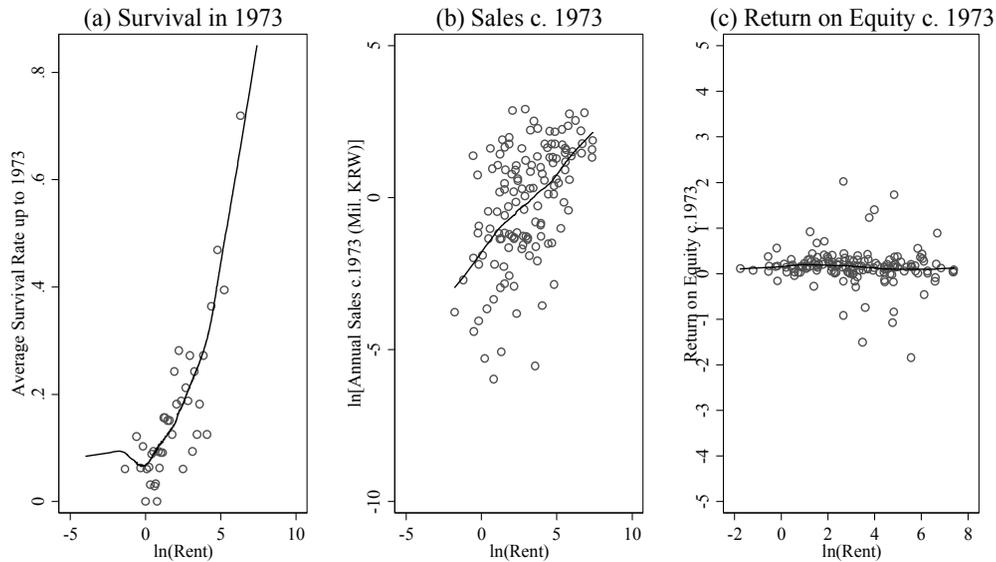
| Dependent variable | Exchange tax | | Exchange gain | | Success rate | | ln(Rent) | |
|-------------------------|-----------------------|---------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) |
| Controls: | | | | | | | | |
| Paid-in capital in 1959 | 0.0611 (0.0412) | 0.0567 (0.0484) | -0.0340 (0.0419) | -0.0238 (0.0485) | -0.0134* (0.0076) | -0.0023 (0.0087) | 0.2284*** (0.0417) | 0.0204 (0.0380) |
| Firm age in 1959 | | -0.0285 (0.0184) | | 0.0262 (0.0184) | | 0.0020 (0.0033) | | 0.0052 (0.0144) |
| Num of bids | | 0.0100 (0.0088) | | -0.0086 (0.0088) | | -0.0040** (0.0017) | | 0.0980*** (0.0069) |
| Constant term | 3.2537*** (0.0978) | 1.4638 (1.1889) | 4.3264*** (0.0993) | 4.9812*** (1.1903) | 0.5990*** (0.0177) | 0.4818** (0.1978) | 2.3836*** (0.0988) | 2.3613** (0.9317) |
| Industry FEs | | Y | | Y | | Y | | Y |
| Observations | 468 | 464 | 468 | 464 | 531 | 527 | 468 | 464 |
| R-squared | 0.0047 | 0.1668 | 0.0014 | 0.1834 | 0.0058 | 0.1738 | 0.0606 | 0.5276 |

Note: We chose the firms found in both Daily DB and 1959 business directory, and ran regressions of their bidding outcomes on initial firm variables measured in 1959. Columns (1), (3), (5) and (7) control for only the variable of paid-in capital in 1959 and constant term. Columns (2), (4), (6) and (8) also include firm age, number of bids applied in 1959, and industry fixed effects. *, **, and *** denote statistical significance at the 90 percent, 95 percent, and 99 percent levels, respectively.

Long-term effect of foreign aid

We will now examine how the allocation of rent in the 1950s affected the long-term growth of firms. [Figure 3-9] compares the rent earned by each firm in 1959 to the data on Comprehensive Survey of Korean Firms: 1973 edition. We categorized the 289 firms recorded in Comprehensive Survey of Korean Firms into 40 groups according to the size of rent. The rate of survival until the early 1970s and the size of sales in the early 1970s were positively correlated with the amount of rent earned in 1959. On the contrary, ROE, a major indicator of the rate of return, does not show positive or negative correlation with rent.

Figure 3-9| Size of rent in 1959 and the status of firms in the early 1970s



Source: the merged database

<Table 3-4> shows the results of a more systematic regression analysis. The dependent variables are rate of survival, sales, and ROE. The explanatory variable is rent. (1), (3), (6) did not use any other control variables, and (2), (4), (7) used capital, firm age, and industry as control variables. (5) and (8) did not use any control variables but conducted a regression analysis for all firms founded no later than 1959 among firms recorded in Comprehensive Survey of Korean Firms. In other words, (5) and (8) assume that the firms that were not included in the 1959 Daily Report earned zero rent. The result shows that firms which obtained higher rent from 1959 foreign aids more likely survived up to 1973, and recorded significantly higher sales in the early 1970s. On the contrary, ROE does not show any significant relationship, possibly because the ROE at a certain point of time is determined primarily by current market situation rather than the actual competence of the firm.

Table 3-4| Estimated effect of rent from foreign aid in 1959 on survival, firm size and rate of return in the early 1970s

| Dependent variable | Dummy = 1 if found in the 1973 business directory | | ln(Annual sales c. 1973) | | | Return on equity c. 1973 | | |
|---|---|-----------------------|--------------------------|-----------------------|------------------------|--------------------------|----------------------|-----------------------|
| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) |
| Controls: | | | | | | | | |
| ln(Rent in 1959) | 0.0643*** (0.0057) | 0.0678*** (0.0135) | 0.4960*** (0.0718) | 0.4574*** (0.1168) | 0.5183*** (0.0460) | -0.0180 (0.0166) | -0.0273 (0.0309) | -0.0148 (0.0127) |
| ln(Paid-in capital in 1959) | | 0.0121 (0.0127) | | 0.0037 (0.0915) | | | -0.0289 (0.0231) | |
| Firm age in 1959 | | 0.0161*** (0.0049) | | 0.0424 (0.0349) | | | -0.0006 (0.0088) | |
| Constant term | 0.0420*** (0.0143) | 0.5486* (0.3319) | -1.6735*** (0.2621) | -0.6314 (1.4574) | -1.7719*** (0.0525) | 0.2062*** (0.0616) | -0.7728* (0.3925) | 0.1923*** (0.0144) |
| Region and Industry FEs | | Y | | Y | | | Y | |
| Assuming that the rent is none if a firm in the 1973 business directory is not found in Daily Report. | | | | | Y | | | Y |
| Observations | 1303 | 464 | 133 | 86 | 1366 | 150 | 103 | 1604 |
| R-squared | 0.0898 | 0.1922 | 0.2672 | 0.6269 | 0.085 | 0.0078 | 0.305 | 0.0008 |

Notes: Columns (1) and (2) estimate the effect of rent size on the probability of being survived up to 1973, which is measured by whether the firm in Daily Report is founded from the 1973 business directory or not. Columns (3)-(5) utilize the log value of annual sales c. 1973 as a measure of firm size. We use firms found in both Daily Report and 1973 business directory for columns (3) and (4). In column (5), we use all the firms found in the 1973 business directory regardless of whether they are found in Daily Report or not. In the analysis of column (5), we also assume that, if a firm in the 1973 business directory is not found in Daily Report, its rent is zero. Except that columns (6)-(8) use ROE (return on equity c. 1973) as dependent variable, their regression specifications are the same with those for columns (3)-(5), respectively. *, **, and *** denote statistical significance at the 90 percent, 95 percent, and 99 percent levels, respectively.

Table 3-5| Estimators with alternative variables

| Dependent variable | Dummy of survival up to 1973 | Firm size c. 1973 | | | Return c. 1973 | | | | | Capital growth in 1959-73 |
|---|------------------------------|-----------------------|-----------------------|---------------------|---------------------|--------------------|--------------------|----------------------|---------------------|---------------------------|
| | | ln(Sales) | ln(Equity) | ln(# of workers) | Return on equity | Sales on equity | Return per worker | Sales per worker | ln(Return) | |
| Key controls: | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) |
| <i>Panel A: Effects of rent size</i> | | | | | | | | | | |
| ln(Rent) | 0.0678*** (0.0135) | 0.4574*** (0.1168) | 0.2983*** (0.0882) | 0.1268 (0.1165) | -0.1062 (0.2010) | 3.4183 (2.8329) | 0.0213 (0.0549) | 0.7700** (0.3401) | 0.2371* (0.1405) | 3.9048* (2.0515) |
| R-squared | 0.1922 | 0.4839 | 0.4764 | 0.3189 | 0.0287 | 0.0899 | 0.0864 | 0.6656 | 0.4075 | 0.2860 |
| <i>Panel B: Effects of number of bid applications</i> | | | | | | | | | | |
| # of bid applications | 0.0105*** (0.0023) | 0.0422** (0.0178) | 0.0249** (0.0124) | -0.0002 (0.0150) | -0.0109 (0.0239) | 0.0709 (0.3679) | 0.0007 (0.0065) | 0.0852* (0.0479) | 0.0243 (0.0192) | 0.6466** (0.2698) |
| R-squared | 0.1838 | 0.4229 | 0.4247 | 0.2785 | 0.0258 | 0.0597 | 0.0727 | 0.6175 | 0.3795 | 0.2560 |
| <i>Panel C: Effects of exchange rate gain</i> | | | | | | | | | | |
| Exchange rate gain | 0.0002 (0.0001) | 0.0018 (0.0012) | 0.0018** (0.0009) | -0.0012 (0.0011) | 0.0013 (0.0021) | 0.0258 (0.0276) | 0.0007 (0.0005) | 0.0033 (0.0032) | 0.0024 (0.0014) | -0.0332 (0.0203) |

| | | | | | | | | | | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|---------------------|----------------------|---------------------|--------------------|-----------------------|--------------------|
| R-squared | 0.1491 | 0.3886 | 0.4352 | 0.3191 | 0.0301 | 0.0813 | 0.1050 | 0.6447 | 0.4067 | 0.2796 |
| <i>Panel D: Effects of success rate</i> | | | | | | | | | | |
| Success rate | 0.0606 (0.0618) | -0.1834 (0.6416) | 0.2151 (0.4446) | 0.1641 (0.5486) | 1.1459 (0.8727) | -2.1991 (13.3648) | 0.4425* (0.2313) | 1.5769 (1.6345) | -0.1496 (0.6881) | 6.5091 (9.3059) |
| R-squared | 0.1503 | 0.3815 | 0.4026 | 0.2791 | 0.0412 | 0.0596 | 0.1104 | 0.6056 | 0.3672 | 0.2225 |
| <i>Panel E: Effects of whether the firm participated in the 1959 bids or not</i> | | | | | | | | | | |
| Dummy of participation | 0.3065*** (0.0048) | 1.4891*** (0.1521) | 1.3855*** (0.1142) | 0.6217*** (0.0639) | -0.0382 (0.1700) | 10.1415* (5.1713) | 0.0453 (0.0356) | 0.1773 (1.0110) | 1.2926*** (0.1391) | NA |
| R-squared | 0.2863 | 0.0656 | 0.0740 | 0.0483 | 0.0000 | 0.0034 | 0.0012 | 0.0000 | 0.0510 | |

Notes: We employ alternative dependent variables as listed in the head of table, also use alternative bid-outcome controls as listed in the title of panel. Column (1) estimates the effect of rent size on the probability of being survived up to 1973, which is measured by whether the firm in Daily Report is founded from the 1973 business directory or not. Accordingly, column (1) use the sample firms found in both Daily Report and 1959 business directory. Columns (2)-(10) use the sample firms found in all three databases: Daily Report, 1973 business directory, 1959 business directory. Panel E estimates the effect of the participation in the 1959 bids on later outcomes. In the estimation, we use the sample firm found in the 1959 and 1973 firm list regardless of the linkage to the Daily Report, and assume that, if a firm is found in the Daily Report, it participated in the 1959 bids. The regression specification of column (1) is the same with that of column (2) in <Table 3-4>. The specification of other columns is the same with that of column (4) or (7) in <Table 3-4>. *, **, and *** denote statistical significance at the 90 percent, 95 percent, and 99 percent levels, respectively.

<Table 3-5> shows regression results when alternative explanatory and dependent variables were used, in order to check robustness. In addition to rent, we used number of bid applications, foreign exchange gain, success rate, and dummy of participation as explanatory variables. As proxies for the dependent variables (firm size and rate of return), we used total amount of assets, number of workers, sales on equity, return per worker, sales per worker, and net profit. Using number of bid applications and dummy of participation as alternative explanatory variables does not change the regression result. This dummy variable was constructed by examining whether the firms recorded in both the 1959 List of Corporations and Comprehensive Survey of Korean Firms: 1973 edition are also found in the 1959 Daily Report. It should be noted that firms that participated in the allocation of aid funds had a higher rate of survival and a bigger firm size in the early 1970s compared to those that did not.

In using alternative dependent variables, neither the total amount of assets nor the number workers produced a different result from the original one. Although positive relationships were found in some alternative variables of the rate of return, generally they did not show any clear statistical significance.

Summary

This paper critically reviewed the established understanding of the aid allocation in the 1950s Korea by using data on the allocation of aid funds at the firm level that were produced or were held by a United States aid organization. In particular, I used Daily Report, which contains bidding results at the firm-level, as an important data source. I matched Daily Report with several Korean-language lists of firms that contain information on firm characteristics. Previous research argued that the allocation of aid in the 1950s was discretionary and inefficient based on certain cases such as the textile industry that were accused of receiving preferential aid even at the time. This paper examined the fairness of aid in the 1950s and its long-term effect on the growth of the South Korean firms by making use of micro-level data.

The analysis revealed that allocation of aid funds through the purchase of good for civilian demand – the most important method of aid allocation in the 1950s – was more competitive and fair than what was depicted by previous research. The rule of bidding was actually implemented, which greatly reduced the room for discretionary intervention by the government or collusion among firms. The fact that larger firms were allocated more rent does not need to be interpreted as indicative of allocative inefficiency, although a more rigorous analysis is needed in order to be able to speak of the efficiency of aid with confidence.

The analysis also found out that firms that earned more rent, or in other words, a larger amount of financial benefit from the allocation of aid had a larger firm size in the early 1970s even when controlling for firm size in the late 1950s. This relationship persisted even in regression analyses using alternative variables. Such a result indicates that aid had a positive impact on the growth of Korean firms. Although the size of rent was found to have no significant effect on the firms' rate or return, this is likely because the rate of return of a firm at a certain point of time is affected primarily by market situation rather than by its actual business competence.

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Appendix

Table A1| Foreign Assistance to Korea, 1945~1983

Unit: thousand USD

| Source: Year | USA <i>BOK, Economic Statistics Yearbook.</i> | | | CRIK | | UNKRA | Total |
|-----------------|--|-------------|--------|---------------------|--------|---------|---------|
| | GARIOA | ECA /SEC | PL480 | FOA /ICA /AID | SUN | | |
| 1945 | 4,934 | | | | | | 4,934 |
| 1946 | 49,496 | | | | | | 49,496 |
| 1947 | 175,371 | | | | | | 175,371 |
| 1948 | 179,593 | | | | | | 179,593 |
| 1949 | 92,703 | 23,806 | | | | | 116,509 |
| 1950 | | 49,330 | | | 9,376 | | 58,706 |
| 1951 | | 31,972 | | | 74,448 | 122 | 106,542 |
| 1952 | | 3,824 | | | 10,299 | 145,235 | 161,327 |
| 1953 | | 232 | | 5,571 | 8,365 | 150,422 | 194,170 |
| 1954 | | | | 82,437 | 14,049 | 36,142 | 153,925 |
| 1955 | | | | 205,815 | 4,950 | 3,761 | 236,707 |
| 1956 | | | 32,955 | 271,049 | 24 | 307 | 326,705 |
| 1957 | | | 45,522 | 323,268 | | | 382,893 |
| 1958 | | | 47,896 | 265,629 | | 7,747 | 321,272 |
| 1959 | | | 11,436 | 208,297 | | 2,471 | 222,204 |
| 1960 | | | 19,913 | 225,236 | | 244 | 245,393 |
| 1961 | | | 44,926 | 154,319 | | | 199,245 |
| 1962 | | | 67,308 | 165,002 | | | 232,310 |
| 1963 | | | 96,787 | 119,659 | | | 216,446 |
| 1964 | | | 60,985 | 88,346 | | | 149,331 |
| 1965 | | | 59,537 | 71,904 | | | 131,441 |
| 1966 | | | 37,951 | 65,310 | | | 103,261 |
| 1967 | | | 44,378 | 52,640 | | | 97,018 |
| 1968 | | | 55,927 | 49,929 | | | 105,856 |
| 1969 | | | 74,830 | 32,434 | | | 107,264 |
| 1970 | | | 61,703 | 20,933 | | | 82,636 |
| 1971 | | | 33,651 | 17,566 | | | 51,217 |
| 1972 | | | | 5,089 | | | 5,089 |
| 1973 | | | | 2,146 | | | 2,146 |
| 1974 | | | | 982 | | | 982 |
| 1975 | | | | 1,155 | | | 1,155 |
| 1976 | | | | 1,740 | | | 1,740 |
| 1977 | | | | 948 | | | 948 |
| 1978 | | | | 169 | | | 169 |
| 1979 | | | | 224 | | | 224 |
| 1980 | | | | 361 | | | 361 |
| 1981 | | | | 236 | | | 236 |
| 1982 | | | | 61 | | | 61 |
| 1983 | | | | 30 | | | 30 |

Table A2| Composition of FOA/ICA Project Assistance, 1954~1960

Unit: thousand USD

| | 1954 | 1955 | 1956 | 1957 | 1958 | 1959 | 1960 |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Agriculture and Natural Resources | 198 | 3,404 | 1,784 | 5,947 | 4,549 | 6,876 | 4,981 |
| Agricultural Research | | | 42 | 357 | 426 | 1,116 | 885 |
| Land and Water Resources | | 2,239 | 859 | 3,124 | 3,035 | 3,361 | 1,038 |
| Crop and Livestock Development | 198 | 1,151 | 686 | 2,165 | 374 | 838 | 398 |
| Forestry | | | 187 | 79 | 77 | 17 | |
| Fisheries | | | | 98 | 571 | 1,359 | 2,578 |
| Others | | 14 | 10 | 124 | 66 | 185 | 82 |
| Industry and Mining | 6,367 | 21,168 | 25,960 | 28,935 | 22,345 | 12,354 | 19,355 |
| Mining and Minerals | | | 29 | 102 | 863 | 1,201 | 2,689 |
| Power | 6,207 | 11,876 | 13,893 | 6,083 | 2,246 | 1,807 | 3,758 |
| Communications | 29 | 2,508 | 2,195 | 3,600 | 2,296 | 2,988 | 3,358 |
| Manufacturing and Processing | | 6,663 | 9,843 | 19,079 | 15,828 | 5,943 | 9,519 |
| Engineering and Construction | 131 | 35 | | | 1,059 | 400 | 67 |
| Others | | 86 | | 71 | 53 | 15 | 288 |
| Transportation | 1,305 | 62,024 | 42,097 | 42,129 | 20,229 | 10,150 | 8,940 |
| Highways and Bridges | 122 | 3,893 | 2,192 | 1,816 | 2,215 | 1,788 | 1,395 |
| Urban Transit and Traffic Engineering | | | 377 | 662 | 158 | 81 | |
| Railways | 627 | 49,937 | 31,942 | 37,042 | 17,051 | 7,607 | 6,460 |
| Port and Harbor Facilities | 556 | 8,089 | 7,530 | 1,832 | 705 | 326 | 327 |
| Civil Aviation | | 21 | 42 | 269 | 118 | 230 | 249 |
| Ship Operations | | | 14 | 5 | 8 | 118 | 353 |
| Others | | 84 | | 503 | -26 | | 156 |
| Health and Sanitation | 255 | 2,106 | 2,099 | 2,741 | 3,786 | 3,079 | 3,165 |
| Control of Specific Disease | | | | | 606 | 183 | 670 |
| Environmental Sanitation | 255 | 2,106 | 2,076 | 2,104 | 2,913 | 1,867 | 1,156 |
| Health and Hospital Facilities | | | 12 | 591 | 225 | 320 | 1,147 |
| Others | | | 11 | 46 | 42 | 79 | 192 |
| Education | | 33 | 982 | 3,491 | 3,172 | 3,692 | 4,245 |
| Technical Education | | | | 421 | 562 | 831 | 679 |
| Professional and Higher Education | | 33 | 657 | 2,225 | 1,941 | 2,338 | 3,365 |
| Others | | | 325 | 845 | 669 | 523 | 201 |
| Public Administration | | | 124 | 396 | 1,437 | 1,170 | 1,462 |
| Social Welfare and Housing | 1,570 | 7,330 | 9,003 | 6,266 | 4,927 | 2,492 | 4,014 |
| Community Development | | | | 16 | 925 | 477 | 796 |
| Social Welfare | | 5,478 | 5,258 | 2,985 | 835 | 700 | 277 |
| Housing | | | 336 | 131 | 2,032 | 158 | 1,530 |
| AFAK (Armed Forces Assistance to Korea) | 1,570 | 1,251 | 2,479 | 2,125 | 764 | 837 | 1,369 |
| Others | | 601 | 930 | 1,009 | 371 | 320 | 42 |
| General and Miscellaneous | 470 | 1,395 | 3,341 | 2,824 | 3,445 | 3,798 | 4,368 |
| Total | 10,165 | 97,460 | 85,390 | 92,729 | 63,890 | 43,611 | 50,530 |

Source: BOK, Economic Statistics Yearbook.

Table A3| Composition of FOA/ICA Non-Project Assistance, 1953~1960

Unit: thousand USD

| | 1953 | 1954 | 1955 | 1956 | 1957 | 1958 | 1959 | 1960 |
|--|-------|--------|--------|---------|---------|--------|--------|--------|
| Agricultural Commodities | 3,963 | 23,405 | 28,443 | 37,747 | 73,758 | 41,736 | 32,426 | 36,807 |
| Wheat | | 2,007 | 3,982 | 9,012 | 22,809 | 3,945 | 7,295 | 1,231 |
| Barley | 787 | 1,785 | 104 | 5,073 | 13,863 | 1,931 | -13 | |
| Raw Sugar | | 574 | 1,299 | 4,717 | 8,271 | 3,250 | -6 | |
| Raw Cotton | 3,176 | 17,019 | 22,039 | 16,396 | 26,425 | 30,815 | 23,369 | 28,439 |
| Salt | | 475 | | | | | | |
| Molasses | | 209 | 421 | 317 | 183 | | | |
| Soybeans | | 691 | 200 | 198 | 81 | | | 358 |
| Tallow | | 645 | 398 | 1,943 | 1,084 | 1,322 | 1,336 | 2,780 |
| Others | | | | 91 | 1,042 | 473 | 445 | 3,999 |
| Fuels | | 11,712 | 10,471 | 23,473 | 24,000 | 35,395 | 20,625 | 24,539 |
| Petroleum, Oil and Lubricant | | 10,499 | 7,215 | 20,162 | 20,357 | 24,667 | 19,379 | 22,005 |
| Bituminous Coal | | 1,213 | 3,211 | 3,025 | 2,900 | 10,569 | 1,070 | 2,138 |
| Paraffin Wax | | | | 286 | 198 | 13 | | |
| Others | | | 45 | | 545 | 146 | 176 | 396 |
| Raw Materials and Semi-Finished Products | 1,608 | 30,518 | 54,937 | 107,171 | 105,638 | 97,960 | 88,895 | 76,933 |
| Fertilizers | 541 | 16,979 | 40,792 | 55,686 | 56,559 | 47,652 | 45,617 | 40,580 |
| Pesticides | | 139 | 448 | 1,083 | 869 | 745 | 721 | 955 |
| Raw Rubber | 1,067 | 1,217 | 1,000 | 5,884 | 3,658 | 3,774 | 5,509 | 4,745 |
| Raw Hides | | 200 | 334 | 1,515 | 611 | 506 | 504 | 407 |
| Cotton Cloth | | 1,026 | | | | | | |
| Cotton Yarn | | 3,209 | | | | | | |
| Rayon and Other Synthetic Yarn | | 1,982 | 1,449 | 14,228 | 12,715 | 10,144 | 9,723 | 5,528 |
| Raw Wool and Wool Tops | | 505 | 505 | 6,764 | 7,546 | 7,592 | 3,735 | 2,564 |
| Rayon Waste | | 50 | | | | | | |
| Chemicals | | 861 | 1,487 | 3,334 | 3,853 | 5,933 | 5,326 | 3,346 |
| Medical Supplies | | 1,183 | 1,185 | 4,019 | 4,541 | 3,761 | 3,503 | 2,721 |
| Abaca | | 804 | | 729 | 661 | 400 | 831 | 970 |
| Paper | | 400 | 329 | 6,836 | 5,012 | 7,096 | 1,553 | 1,138 |
| Pulp | | 110 | 183 | 850 | 790 | 1,306 | 2,245 | 3,299 |
| Dyestuffs | | | 199 | 958 | 1,489 | 1,550 | 1,146 | 1,026 |
| Caustic Soda | | | 279 | 565 | 841 | | | |
| Non-Metallic Minerals | | 318 | 71 | | | 265 | 749 | 905 |
| Plastics | | | 451 | 2,162 | 2,425 | 3,136 | 1,995 | 3,710 |
| Auto Spare Parts | | 337 | 1,344 | 85 | 95 | 274 | 27 | 1 |
| Tires and Tubes | | 975 | 139 | 532 | 783 | 179 | | 929 |
| Generators and Motors | | 58 | 1,829 | 608 | 265 | 1,139 | 336 | 6 |
| Electrical Apparatus | | 21 | 1,641 | 900 | 1,946 | 1,638 | 1,328 | 281 |
| Engines and Turbines | | | | | | | 21 | |
| Laboratory and Scientific Equipment | | 144 | 464 | 308 | 458 | 668 | 660 | 571 |
| Others | | | 808 | 125 | 521 | 202 | 3,366 | 3,703 |
| Investment Salables | | 6,637 | 14,504 | 17,268 | 27,142 | 26,648 | 22,740 | 36,427 |
| Lumber and Logs | | 3,501 | 3,208 | 2,505 | 4,359 | 4,044 | 5,093 | 7,769 |
| Flat Glass | | 350 | 538 | 1,743 | 1,721 | 144 | | 90 |
| Cement | | 410 | 1,755 | 2,112 | 2,392 | 1,039 | | 1,112 |
| Miscellaneous Construction Materials | | 830 | 161 | 176 | 49 | 571 | 335 | 28 |
| Coal Tar Pitch | | | 593 | 171 | 995 | 1,940 | 2,143 | 1,541 |

| | 1953 | 1954 | 1955 | 1956 | 1957 | 1958 | 1959 | 1960 |
|------------------------------------|--------------|---------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Creosote | | | 181 | 214 | | | | |
| Mining Machinery and Equipment | | | | | | | 356 | 99 |
| Metal Working Machinery | | 262 | 1,529 | 413 | 419 | 939 | 584 | 59 |
| Miscellaneous Industrial Machinery | | 354 | 2,198 | 3,351 | 5,401 | 8,800 | 8,114 | 12,134 |
| Iron and Steel Shapes | | 207 | 2,210 | 2,796 | 5,541 | 4,604 | 2,763 | 4,402 |
| Nonferrous Metals | | 483 | 693 | 1,494 | 2,433 | 2,979 | 1,872 | 2,189 |
| Explosives | | 217 | 708 | 110 | 400 | | | 242 |
| Fishery Supplies | | | | 522 | 942 | 330 | 666 | 1,545 |
| Vessels and Equipment | | | 50 | 1,291 | 1,535 | 376 | 100 | |
| Military Surplus Commodities | | 23 | 302 | 161 | 64 | | | |
| Ocean Freight | | | 378 | 141 | 709 | 2 | | 50 |
| Others | | | | 68 | 182 | 880 | 714 | 5,162 |
| Total | 5,571 | 72,272 | 108,355 | 185,659 | 230,538 | 201,739 | 164,686 | 174,706 |

Source: BOK, Economic Statistics Yearbook.