
Development Paradigms at a Crossroad and the South Korean Experience

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This paper is concerned with two interrelated issues: the state of development theory and its implication for the current crisis in the Third World, South Korea in particular. I argue that capitalist development theory is currently at a deadlock, but not enough of a paradigmatic crisis exists to allow for a significant breakthrough. Furthermore, the crisis in the Third World, including that in South Korea, is a reflection of this deadlock in development. As a consequence, a transition to a post-growth society, where national independence and integrity, social justice, and democracy are made prime movers of development, have become extremely difficult if not impossible. I shall use historical analysis and recent data to support these propositions.

The first part is on capitalist development paradigms including their structures, distinct characteristics, historical developments, maturity, and crisis. The next section focuses on South Korean crisis and indicates why it is rooted in the application of the growth model of capitalist development and may not go away in the absence of a paradigmatic shift in development approach. A final section will conclude the arguments and points toward prospects for the future. A Postscript gives accounts of the Olympics politics and after.

Crisis in Development Theory and Strategy

Since the late 19th century there has been no breakthroughs in development theory and, consequently, in development strategies, with the exception of the socialist alternative. In other words, the field of development is currently at a deadlock. By development theory I mean a system of concepts that helps explain the causal-consequential relations within and among social phenomena and the laws/tendencies that govern their quantitative and qualitative development and decline. Development strategy, on the other hand, is the science of determining at each stage of development the most important tasks to be implemented, the type and amount of resources needed, and the location of development. It thus belongs to the realm of

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practice and involves setting priorities, making plans, and formulating policies. Development strategy, however, depends on development theory for concrete analysis of the situation to be transformed and for formulation of specific goals, objectives, and targets. Crisis of the one is thus crisis of the other, and this connection allows me to use them interchangeably.

The present socioeconomic and political crises in the Third World (including the Republic of Korea), and the growing demand for alternatives are clear indications of the deadlock in development theory and strategy. The specific crisis in the Republic of Korea also reflects the consequences of the growth model applied in that country since the end of the Korean War in 1953. Dependency, dictatorship, and various types of injustices are among the consequences of the model. While the situation requires new alternatives, the bulk of literature being produced reiterates old ideas in different forms, and despite our growing involvement with the practice of development, significantly new contributions are noticeably lacking. The crux of the problem, however, relates to the inability of current development wisdom to advance appropriate theoretical grounding for transition to a "post-growth" society where democracy, social justice, and national independence are made the central goals and the prime movers of development.

Yet, it is a gross exaggeration to insist that what we know about development today stops at the end of the 19th century. We know a great deal more (James and Wilber, 1979). We know reasonably well, for example, what causes development and underdevelopment and what consequences follow from different strategies. We also know that "development" is a multidisciplinary field not reducible to economics or any other single field of knowledge, that it is a comprehensive practice involving not just sectoral growth but also territorial and distributional aspects of development, that we need appropriate planning models and policies to arrive at comprehensive (and popularly acceptable) solutions, and that it requires cooperation at national and international levels. Further, we know that industrialization of urban areas is not the only or perhaps the best way to bring about development, that neither growth nor redistribution alone can do it, that efficiency and equity goals are not necessarily contradictory or mutually exclusive, and that technocratism and centralism have come under increasing pressure from demands for participation, decentralization, and democracy. We also know that foreign investors, traders, financiers, and governments put their interests ahead of the host country's interests, that integration in the capitalist world economy produces dependency, and that dependent development has far-reaching negative implications for national unity, culture, and stability.

Why then, despite such profound knowledge of what development is, are we still in a deadlock concerning a more effective or universally acceptable theoretical foundation for development beyond imbalanced and dependent growth under dictators in the capitalist Third World? The problem, I suggest, has two dimensions: first, ideological diversity has made a truly responsive synthesis of different

approaches difficult; and second, the field has reached a mature stage, but is not yet ripe for qualitative transformation. In other words, while socialism remains unacceptable to the dominant forces in the capitalist world, not enough of a paradigmatic crisis exist in capitalist development theory and strategy to allow for a significant breakthrough. We could thus expect to live with a protracted struggle among the loyalists, critics, and dissidents of current development thinking.

The Ideological Diversity

There are many approaches to development, but a safe generalization is that these approaches (excluding the socialist alternative) may be reduced to three: the populist strategy, the growth model, and the "growth with equity" approach. (Note: "strategy," "model," and "approach" are used interchangeably through the paper).

The Populist Strategy

Populism, which takes different forms in different countries, refers to any politico-ideological orientation that is based on the power of "people" and radicalism of the middle class with a nationalistic/religious overtone. It rejects foreign domination and dependency, seeks self-reliance, is inward-looking, and favors small-scale activities and organizations. Populism searches the past for identity and alternatives, propagates contentment, and tends to foster a social organization modeled after the communal life in traditional society. Its conceptions of social justice and democracy are based on primitive patrimonialism and on a benevolent leadership. Most anti-establishment movements immediately prior to the Industrial Revolution took the form of populism. Such movements again reappeared in the late 19th century. Examples include the farmers movement of the "Grangers" and "Greenbackers" in the United States in the 1870s-1890s, and Narodism in Russia in the late 19th century. The most recent populist movements in the Third World have tried to adapt an alternative "third way" of development. African socialism (e.g., Nyerere's Arusha declaration), Arab socialism (e.g., Nasserism in Egypt and Ba'thism in Syria and Iraq), and the current experiences in Iran and Libya are among the most prominent populist movements in the contemporary Third World (see, e.g., Khoros, 1984; Amirahmadi, 1987; Kitching, 1982; Ionescu and Gellner, 1969).

The Growth Model

The growth model takes a totally different and more elaborate view of development. It equates development with a high and sustainable GNP growth rate generated by capital investments. Two strategies are generally followed: earlier in development import-substitution industrialization is adopted; with further integration of the economy in the world market an export-promotion industrialization becomes preferable. Investments are financed by either domestic savings or foreigners. The primary sources of savings in the Third World are the rich and the governments. Expansion of profit at the expense of wages and regressive taxation are thus needed

for increasing national savings and this leads to income concentration. Industry is the most productive sector of the economy and receives disproportionate attention, large-scale projects are better than small-scale operations, and the economic sectors are preferred over the social sectors. The result is uneven sectoral development. Investments must also be located at the most productive places and where agglomeration economies exist. The already developed large urban centers and regions are the logical choices. In other words, geographic concentration is necessary for growth (Gore, 1984; Dewar et al., 1986; Friedmann and Weaver, 1979).

Internal savings are insufficient for a high growth rate. Moreover, technology and management skills remain the monopoly of multinational corporations. Foreign investments should thus be encouraged and this entails free trade and incorporation in the capitalist world economy. Dependency is, then, an inescapable outcome. Institutional reforms are needed for growth to take-off and this assumes modernization of cultural traditions and institutions including ways of life and thinking, social values, family ties, and interpersonal relations. Westernization is therefore required for growth.

The public sector is not a good entrepreneur, however, and it hardly knows how to manage the economy, innovate, or take risk. In other words, *growth mandates privatization*. The economic role of the state, nevertheless, remains strong: it engages in comprehensive planning, policy formulation, and implementation of many regulatory/control measures to insure the smooth and profitable operation of the domestic and foreign private firms (Amirahmadi, 1986). Finally, growth needs political stability and a powerful force to regenerate continuously its preconditions. This requirement is generally met by a dictatorship of the ruling elite in the name of national interest or defense.

Thus, the capitalist growth model generates income and spatial concentration, uneven sectoral development, dependency, cultural destruction; denationalization, and dictatorship. Examples of countries in the Third World which successfully implemented the strategy include Brazil, Iran and the Republic of Korea, where the "miracle" performance subsequently ran into various socioeconomic and political difficulties. The neoclassical economists, the propagators of the model, were aware of the consequences of the model but maintained that in the long-term the benefits would trickle down or diffuse in which case the trend would be reversed (the so-called inverted U hypothesis). To their surprise, the polarization reversal either did not occur at all or, when it did, was insignificant and confined to only a few countries. Instead, the benefits of growth have continued to trickle up making the bad worse (Weaver and Jameson, 1981; Szentes, 1976).

This upper-class strategy for accumulation and concentration of wealth in the hands of a few (but in the name of the *nation*) has also a long history. Its theoretical foundation was laid out by Adam Smith and the Industrial Revolution marks its first stage of implementation. The strategy reappeared again in early 20th century

and found its theoretical perfection and widespread application in the 1950s and 1960s.

The "Growth With Equity" Model

The "growth with equity" approach represents a synthesis, but one that is also not responsive to the needs and demands of the present development stage in the Third World. Originally advanced by such classical economists as Ricardo and Sismondi in the mid-19th century, the approach advocates a redistributive approach to economic development. Injustices of the Industrial Revolution had already led many, including the humanist Robert Owen, to rise up against capitalism and propose more egalitarian development. Marx and Engels called them utopian socialists, and Lenin said the same later about the social democrats in Europe. The strategy reemerged in a more sophisticated form in the 1960s as hope for reversal of trends perpetuated by the growth model diminished and prospects for revolutions began to increase in the Third World. Kennedy's Alliance for Progress in Latin America signaled the beginning of the new approach and was a reaction to the Cuban revolution.

The "growth with equity" approach advocates land reforms, a return to agriculture and rural-based investments, appropriate technology, provision of basic needs (such as food, shelter, health-care services, and recreation), increased investment in education to improve human capital, and a new international economic order. The strategy seeks to mitigate disparities by means of various reforms and through reorientation of priorities. It concentrates on small-scale activities but is also favorable to large-scale projects, emphasizes reliance on local resources but considers foreign assistance and investments necessary, and encourages the private sector's development but gives a major role to state planning and the public sector (Szentcs, 1976; James and Weaver, 1979). This eclectic approach, however, fails to tackle the larger problems of underdevelopment, dependency, and political participation; it accepts the basic capitalist institutions and the existing power and political structures at domestic and international levels. This is why the synthesis of the growth model and populism has not been responsive to the needs and demands of the present struggle for development, national independence, social justice, and democracy in the Third World.

Common Characteristics of the Models: Theoretical Structure and History

Despite their differences, the three approaches have two things in common: a rigid theoretical structure (the growth model more so) and a single history. Concerning the latter, the most important fact is that these approaches developed in the course of a single process of thesis, antithesis, and synthesis, a process which has been cyclical/spiral, but which has come to a halt in the form of a static circular movement from one approach to another in recent times. In particular, the Industrial Revolution, the first real application of the growth model, negated the

utopian/paternalistic thinking of the pre-industrial era so engrained in the minds of many Western European intellectuals of the Reformation and Enlightenment periods. The growth approach was in turn negated by the growth with equity approach whose origin goes back to the mid-19th century's anti-industrial movement in Europe. As we have noted, these strategies were to reemerge again in the late 19th century and throughout the 20th century, but each time at a more sophisticated and extensive scale until they reached their growth limits in the early 1970s. Emergence of the socialist alternative at the turn of this century represented the only major breakthrough in development thinking, although its application has remained confined to socialist countries (Clarkson, 1978; Nyilas, 1977; Defosses and Levesque, 1975; Fagen, 1986).

This common history has been riven with ideological and theoretical differences leading each approach to develop its own rigid structure and become ossified within it. The following six components may be identified within the structure of each model: a fixed set of assumptions; a positivistic epistemology; a definite conceptual framework; an agreed strategy for practice; a set of predetermined planning methods and policies; and an expected (predictable) set of results. The first three components belong to what we shall call the "theory domain" and the last three to the "practice domain." The articulation of the two domains, in turn, produces the paradigm of the particular approach to development.

Following Thomas Khun (1970), by paradigm we refer to a set of shared views held by a community of scholars. From its assumptions to its results or efficacy, each paradigm follows a consistent path, and the casual connections are from assumptions to results, from theory domain to practice domain. Paradigmatic thinking says that if you approach things systematically and things do not go wrong, then you will obtain the expected solution. This is indeed the source of the problem: any time the result arrived at is unexpected, the blame goes to the process and not to the assumptions. In other words, results tend to mystify rather than inform the assumptions and they may not therefore become the source of a chain reaction that is needed to develop before the paradigm is awakened to its ineffectiveness. In the real world, assumptions also tend to be ideologically motivated and this makes paradigms even more resistance to change. But this does not mean that paradigm will never change.

Maturity of Development Theory

To capture the real essence of the relationship between maturity of capitalist development theory/strategy and the deadlock it finds itself today, it is instructive to recall Kuhn's arguments about the dialectical nature of development of paradigms. To begin with, any paradigm soon develops into what Kuhn calls a "normal science," that is, an ossified structure of theory and practice domains. Among major characteristics of a normal science are its resistance to change and the lack of motivation for novelty. Yet normal science can not escape the eventuality of being

qualitatively transformed into its opposite, in the form of a new paradigm. Indeed, the very static nature of normal science becomes the source of its destruction. As increasing quantities of knowledge are accumulated and the gap between the expected results and the actual occurrences becomes unacceptably high, members of the community of shared views encounter "anomalies." Consequently, some members begin to question the validity of the paradigm. They initially engage in debates within the paradigm and criticize the dominant mainstream views. Soon, however, they dissent in favor of a new approach as pressure for loyalty from the community intensifies. These dissidents then become pioneers of a new paradigm that develops slowly and only after a minimum quantity of knowledge needed for the qualitative leap is accumulated. The old paradigm survives until a new paradigm develops from its womb and begins to establish itself as a new normal science.

The story of development theory is quite similar. By the late 19th century all three approaches had become normal sciences, first populism, then its negation, the growth model, and then the negation of its negation, the growth with equity approach. The real breakthrough occurred with the emergence of the socialist alternative, but this new paradigm was resisted by mainstream intellectuals and the dominant social groups in the capitalist world. Notwithstanding increasing defection to the socialist alternative, capitalist paradigms remain steadfast. Consequently, the cyclic return to and simultaneous resurgence of the old development paradigms have become inevitable since the turn of this century. At present all three approaches are in a deadlock crisis. While demand for novelty is increasingly raised, resistance to change is equally powerful. Transition to a new paradigm of development seems inevitable, a paradigm that would be responsive to the four fundamental demands of the present capitalist Third World: national independence, social justice, democracy, and development. When and how this transition would arrive and whether it will ever be possible to develop such a paradigm in the context of capitalism can not be predicted with any degree of reasonable certainty.

The South Korean Experience

The current crisis in the Republic of Korea is reflective of the deadlock in development theory and of the consequences of the strigent application of the growth model. In particular, while the growth model in the Republic has generated dependency, dictatorship, and various types of injustices (alongside economic growth and structural changes), the current development wisdom in the country is incapable of advancing an appropriate post-growth strategy whereby democracy, national independence, and social justice are made the prime movers of development. In the specific case of South Korea, reunification with the North remains another major stumbling block to a national consensus about an appropriate development approach. The remaining part of this article will focus on the nature of the problems that underlied the mass movements in the Republic of Korea throughout 1987 and

which continue to remain sources of future tensions in that country. The paper will be summed up with a few observations concerning the party platforms in the 1987 election and the post-Olympics politics in order to shed light on prospects for the future.

Historical Overview

Korea fell prey of Japan in 1910 and remained a colony of that state until 1945 when the Japanese colonial empire fell apart in the aftermath of its defeat in WW2. Japan's forced departure was followed by the United States' occupation of the south and establishment of the American Military Government. The country was turned over to the Koreans in 1948 under the dictatorship of Syngman Rhee. Soon, however, the civil war erupted between the Left and the Right and the country became a battle ground for the indirect struggle between international communist movement (USSR and China) and world capitalism (US). The war ended, in 1953, in North-South division and extreme economic destruction of Korea. Explaining the hardship of the war period to Chira (1988a), reporter of *The New York Times* in Seoul for the 1988 Summer Olympics, a Korean woman had the following to say: "We lived on leftovers—the American peeled the potatoes so thickly we could live off the peels."

However, the impact of the Japanese and American occupations went well beyond these political and economic disasters; they were equally destructive of Korean national pride and cultural identity. Japanese were particularly antagonistic to Korean culture and nationalism. For example, "Toward the end of their 35-year occupation, Japanese forbade Korean to speak their own language and forced them to take Japanese names" (Chira 1988a). Although American's treatment of Korean culture and nationalism has been less harsh, they too looked down on them as reflected in such TV series as *M.A.S.H.* and *Pork Chops Hill*. More dramatically, this hostility toward the Korean traditions was also fostered by Rhee's regime and his successors in an attempt to modernize the country along the lines suggested by their Western advisors.

While the American Military Government had focused on a limited land reform program and a few rural development projects, Rhee's regime emphasized infrastructure, began creating several state monopolies by nationalizing Japanese enterprises, and made reunification with the North a major goal, largely for propaganda purpose and domestic consumption. His economic development strategy concentrated on growth through import-substitution industrialization. By the end of the Rhee's reign in 1960, the Koreans had achieved very little development while the government had become unacceptably repressive, corrupt, and inefficient (Mason, et al., 1980; Kuznets, 1977). Per capita income in 1962 was a little more than US \$87 and the disparity in income and wealth distribution was rising rapidly.

The 1960 "students revolution" for democracy, national development and independence, reunification, and social justice reflected these dire conditions in

which the Koreans found themselves at the time, and represented their aspiration for a new beginning. The revolution, however, did not succeed in bringing about any major changes beyond affecting a transfer of power from the Rhee regime to the short lived Myon Chang's relatively popular government (Lee, 1969). Being concerned with the new government's sympathetic stand on demands raised by the students among other sections of the middle class, the United States and Japan backed its violent overthrow by Chung Hee Park's military coup in 1961.

This episode marked a completely different beginning for Korea than had been aspired by the 1960 students revolution: Korea adopted the growth model and began to grow fast in the direction of capitalism and its integration into the world economy, and under the strict supervision of the state. National economic development planning became the main transforming tool of the government. The growth model was, however, implemented at the expense of democracy, social justice, national independence, and reunification. This development process did not end with the death of Park in the hands of his own KCIA (Korean Central Intelligence Agency) chief in 1979. His successor, Doo Hwan Chun, who also came to power through a military coup in 1980 (after almost a year of political confusion), continued to suppress demands originally raised in the 1960 students revolution. At the same time, he expanded and strengthened the existing laws and policies particularly those favoring rapid capitalist development and South Korean integration into capitalist world economy. Measures designed to increase profitability of the export sector and foreign capital were especially expanded and strengthened (Shorrock, 1986). As we shall shortly see, the new president, Tae Woo Roh, is also expected to continue these policies. The fact that he is the first "elected" president of Korea after almost a quarter of a century of military role may not change the situation much. After all, Roh is a military man of the same class and commitments as his predecessor and was a partner in the 1980 coup.

Application of the Growth Model and the Subsequent Problems

For the first few years, Park was primarily concerned with establishing its repressive apparatuses including the KCIA. In the meantime, many anti-Communist laws were introduced, popular gains of the students revolution were reversed, and relations with Japan were normalized. Then in 1965, Park's regime announced a major policy change: from support of import-substitution to export-promotion industrialization (Kim, 1975). The new outward-looking strategy also adopted a "growth first, redistribution later" approach to economic development which has remained largely unchanged ever since. Initially, the government focused on labor-intensive and light industries but soon emphasis shifted to promoting capital-intensive and heavy industries. The change coincided with the increased direct and indirect involvement of the American and Japanese capital. The role of foreign trade and investment in Korean development became increasingly important (Balassa, 1985; Koo, 1985).

Park's regime made the state the main agent of economic development and the pivot for the tri-partite political economic alliance between the government, chaebols (family-run conglomerates), and transnational capital (Shorrock, 1986). National development planning was introduced in 1962 and ever since Korea has implemented some 5 five-year development plans. The current one, the Sixth Plan, covers the 1987-91 period. Korean planning has been more than just indicative. Implementation of the plans has been mandated and facilitated by extensive laws and policy measures. The extensive direct government investments and various financial, fiscal, and administrative incentives for the private sector have all been included in the national plans. However, the creation and maintenance of a cheap and trained labor force remained the major policy concern of the government. This was achieved, among other means, by an anti-agricultural workers and peasants policy, increased investment in technical education, and sheer repression, e.g., banning workers' strikes (Hart-Landsberg, 1987). Other major initiatives included devaluation of Won in the mid-1960s, and increasing use of foreign trade, technology, and finance.

Both Park's and Chun's regimes applied the growth model of capitalist development with rigor and efficiency, so well indeed that the Korean economic performance has been characterized by many as a "miracle" in capitalist development experience (Woronoff, 1986). Measured in terms of economic growth and structural change, the performance has been indeed remarkable for a country that is not rich in resources except for a trained labor force. After an initial period of war, rehabilitation, and political instability (1945-1962), the economy began to gradually take-off and then sustain an impressive GNP growth rate of approximately 8% (average per year), excepting for the crash of 1980. In 1987, the growth rate was 12%, among the highest in the world. Presently (1988), around 33% of the nation's GNP goes into savings, a good portion of which is reinvested. In the meantime, South Koreans' per capita consumption expenditures continue to increase.

The Korean per capita income increased from around US \$87 in 1962 to about \$3,000 (\$24,000 in constant dollar) in 1987. There is almost total literacy in urban areas where the majority of the population lives. Life expectancy is over 65 years at birth, up by 20 years since the end of the civil war in 1953. A quarter of all homes have washing machines, half have telephone, three quarters have refrigerator, and nearly all have TV (*The New York Times*, Sept. 30, 1988). The health care services are not, however, doing equally well, but a social insurance system will soon be implemented.

Sectoral composition of GNP also drastically changed in favor of more contributions from manufacturing and services at the expense of agriculture. Growth and diversity on the part of the Korean manufacturing sector which produces exports has been particularly extraordinary. The country's exports even include such high-tech items as semiconductors and high quality personal computers. The new tourism industry has been growing in double-digit numbers in recent

years. In 1987, South Korea's trade with the world was \$88 billion (Chira 1988g). These and other changes have transformed South Korea so much that it is now considered a Newly Industrializing Country by most in the field of development studies. The "miracle" was managed by partnership between the state, Korean *chaebols*, and international capital. The role of the state seems to have been the most significant.

The real makers of the "miracle," the working people of South Korea (who continue to put in 57-hour week), were not its primary beneficiaries. Instead, those who organized and controlled it, the tri-partite alliance, received most of the gains. Certain social groups also joined the government officials (civilian and military), the *chaebols*, and foreign capital in "ripping off" the growing national economic pie. The ordinary Koreans were provided with only a subsistence life to enable them to reproduce the system on an expanding scale. They were also made to put up with widening socioeconomic, sectoral, and spatial disparities, destruction of national culture and traditions, the growing political repression, and increasing dependency of the homeland on American and Japanese markets and capital.

For over 25 years, South Koreans have been living under military dictators and a repressive state that has extended itself in all political economic directions. As a political agent, the state has repressed the most basic human liberties in the name of national integration and defense. The existence of socialist North Korea has played a major pretext in the hands of the capitalist state to dismiss every democratic demand as "communitic" and oppress the inspiring Koreans as "subversives." As an economic agent, on the other hand, the state has increased its entrepreneurial role to guarantee its own expanded reproduction and pay for the costs of maintaining the repressive apparatuses. The state's economic functions were also directed toward prosperity of a handful of *chaebols* and transnational firms.

After Japanese colonialism, it was American imperialism's turn to dominate Korean economy. In 1964, for example, well over 50% of the country's total fixed capital formation was financed by the United States (Cole, 1980), and between 1967 to 1979 the share of capital stock owned by transnational firms (mainly American and Japanese) rose from 2.7% to 14.7%. In 1985, foreign savings accounted for 10% of Korean capital formation, indicating a rather significant degree of dependency on foreign savings for national investment. Over the entire 1962-79 period, foreign investment, including public and commercial loans, amounted to \$16.2 billion (current price) while the corresponding figure for 1980-85 was \$16.3 billion. Japan accounted for 46% of all direct foreign investment in Korea over the 1980-86 period while the U.S. share was 35% (Ministry of Finance, 1987; EPB, 1987:239). The Japanese share in South Korea's foreign investment continue to grow at the expense of the United States. In 1987, for example, foreign investment reached \$1 billion, of which Japan invested \$495 million, nearly double American investment of \$255 (Chira, 1988g; *The New York Times*, Sept. 30, 1988).

The extent of Korea's dependency on the United States and Japan is further indicated by the country's foreign trade markets. In 1985, South Korea depended on the United States and Japan for 35.5% and 15% of its export markets respectively. The corresponding figures for imports were 20.8% and 24.3%. In 1986, the United States purchased 50% of Korean exports, making it the first year in the entire modern history of South Korea to end with a positive trade balance. This was made possible by a record trade surplus of \$7 billion with the United States, a market that might be tightened at any time given the current protectionist mood in the American Congress.

Although the trade balance with the United States was expanded to \$10 billion in 1987, the precarious nature of trade relation between the two countries continues to remain a major source of concern in both countries: in 1987, the United States took 38.5% of Korean exports, down from 50% a year ago; and the United States' pressure on South Korea to open up its market is increasing consistently. In Fall of 1988, following the Olympics, The United States' Treasury Department accused South Korea of manipulating its currency (that is, making Won deliberately cheaper relative to dollar) to stimulate sales of its goods to the United States, thereby impeding a reduction of the big American trade deficit (Kiborn, 1988). Yet, imports from the United States are already up 50% in 1988 and "half of Korea's \$10 billion trade surplus with America is actually Japan's—machinery and parts brought from Japan and transformed into products here for the American Market." (*The New York Times*, Sept. 30, 1988). It is in response to these difficulties with the old friend that Korea is expanding trade relations with Asia, Japan in particular, and the communist world (Chira, 1988g). Trade with Japan increased to 17.8% in 1987 from 15.6% a year ago.

South Korea's success has also been supported and constrained by a relatively large foreign debt. In 1980, South Korea's debt was \$29 billion or 0.31% of the country's gross national production, compared to 0.18% for the Newly Industrializing Countries as a whole. The figure soared to \$45 billion in 1987, making it Asia's biggest debtor. Although a discounted dollar enabled South Korea to repay about a quarter of its debt in 1988, the debt burden continues to remain the most serious. Recall that South Korea imports four fifths of its food, items whose prices are the most sensitive to changes in value of dollar. A rise in world interest rate would also exacerbate South Korea's debt problem.

Application of the growth model also led to extreme concentrations of wealth, income inequality, spatial disparity, and sectoral imbalance. Industrial expansion took place at the expense of agriculture as indicated by growing Korean food imports and the decrease in the share of agriculture in national production. Despite improvement, rural areas remain far behind urban places (Kim, 1985). The author visited a few villages around the city of Taegu in 1987 and can attest to the low level of rural development in that part of the country which is considered among the better parts of South Korea. Most economic activities have been concentrated

in a few major metropolitan areas along the Seoul-Pusan corridor, while the Western parts of the country remain far behind.

Between 1956 and 1985, about 8 million people migrated to Seoul, making it the fifth largest city in the world. Presently, the city has a population of about 10 million, nearly a quarter of the country's population, crowded onto less than 1% of South Korea's land area. This unhealthy population concentration has been matched with a similar concentration of socioeconomic, administrative, and political activities in Seoul. In 1985, for example, 83.3% of central government bodies and agencies, 69.2% of manufacturing head offices, 96.3% of international trade, 47.2% of higher education, and 47.7% of business finance were concentrated in that one city. In comparison, the corresponding figures for Pusan, the country's second largest city, were 8.7%, 0.9%, 6.3%, 3.2%, 11.2%, and 8.0% respectively (Heo, 1987). Growth of the small- to medium-size cities was particularly slow when compared to large urban centers (Lim, 1984). "With so many already here, and hundreds of thousands more who come every year," wrote Chira (1988b), "it is small wonder that Seoul is a showcase not only for the nation's progress but the worst of its urban ills. Noise, pollution, cramped housing and clogged traffic have plagued Seoul for years."

Wealth and income are also unevenly distributed, and "the gap [is] widening between haves and have nots" (Chira, 1988g). Sales of 10 largest Korean conglomerates amounted to 65.2% of the country's GNP in 1983, and in 1984 the top 10 exporters accounted for 70% of the total Korean exports for the year (Hart-Landsberg, 1987, p. 38). The extreme nature of income inequality was also underscored by the 1979 Catholic Youth Council report which indicated that "three tenths of one percent of the population received 43 percent of the GNP, while 75 percent of all workers made less than \$100 a month" (Hart-Landsberg, 1987, p. 36). *Business Week* (December 23, 1985) was even more explicit about the plight of the Korean working people: "few workers can afford to buy the consumer goods they make.... And the slum that surrounds Seoul grow daily as the unemployed flock in from the countryside." In 1987, average hourly wages for auto workers was \$3.60 as compared with \$18 for Japanese workers. Finally, a 1985 U.S. A.I.D. development study had to acknowledge that there was "evidence of increasing disparities in income, both between the urban and rural sector and between the richer 10% of the population and those at the bottom" (quoted in Harrison, 1987, p. 161). Evidence also suggests that prosperity of certain middle class stratas may be illusory at best. For example, after 15 years, her [Mrs. Hong] family had managed to expand their bag-sewing business, hiring three workers, wrote Chira (1988c),

But they needed to run the factory at full speed, and their loan soon outran their profits. They lost the business, and Mrs. Hong's husband suffered a recurrence of a childhood heart ailment. The home they had bought was torn down in one of a countless urban renewal projects that began to reshape Seoul, and she received only meager compensation payment.

The Present Crisis in Korea

The present crisis in Korea is thus deeply rooted in the country's social, economic, political, and national problems and "few in Korea believe that the election [which indeed fixed the *status quo*] will end their struggle for democratic rule and eventual reunification" with the North (Shorrock, 1988, p. 97).

At stake is a transition from military to civilian government, and from an authoritarian, state-controlled economy that has favored big business to a democratic economy that offers a more equitable distribution of income and better condition for workers, farmers, and owners of small and medium businesses...the movement for Korean democracy also involves a struggle with foreign powers-particularly the USA...(Shorrock, 1988, p. 98).

Roh's victory in the election on December 1987 only demonstrates the enormous power that the Korean tri-partite alliance wield in that country. Recall that Roh was instrumental in the military coup of 1980 which brought Chun to power and that he was hand-picked by the dictator to succeed him. Indeed, this open political arrogance ignited the mass democratic movement of 1987. Is it not then strange that he should be elected in a popular election? Clearly, Roh's flexible approach to the opposition and his responsiveness to its demands helped. The United States was, as is well known, instrumental in making the Korean ruling class accept certain safe compromises (*Washington Post*, 23 June, 1987). Widespread election fraud has also been reported by the opposition. But it was the split within the opposition that played the key role in Roh's victory.

Could it be that the split was indeed managed by the United States and the Korean establishment? For a fuller revelation we may have to wait for years before the massive secret documents on the election are disclosed by the American and Korean governments. It is, however, well known that both the United States and the Korean establishment did not want to see Dae Jung Kim as president. In July 1987 the Korean Chief of Staff had warned that "something unhappy" could occur if Kim was to even run for president (Shorrock, 1988, p. 106). Similar concern had been also voiced by James Lilley, the United States Ambassador to Korea: "Kim Dae Jung is not unequivocally pro-American," and "So he could turn on us at any moment" (Shorrock, 1988, pp. 106, 109). It is therefore highly likely that the United States had advised the more conservative Young Sam Kim to run for president and that he should not compromise with Dae Jung Kim, hoping that this would split the opposition. The United States certainly knew that Dae Jung Kim, under extreme pressure from his supporters, many of whom had lost family members and friends and had suffered from years of oppression, could not withdraw its candidacy for president in favor of his moderate rival. It is also highly likely that the South Korean establishment accepted the free election, with Dae Jung Kim as a candidate, only after it was assured of the split.

Whether Roh was elected in a fair or a fraudulent election does not change the fact that his administration will largely preserve the *status quo*. A cursory reading of the Democratic Justice Party (DJP) platform indicates that it lacks both the

political will and the alternative development strategy needed for any major socioeconomic, political, and national transformations. The platform advocates anti-communism, continued hostility toward North Korea, and repression of Koreans considered "subversive"; supports a deepening of South Korea's alliance with the United States and Japan; and favors strong economic growth under the general leadership of the state in alliance with big domestic and international business. The party's acceptance of certain constitutional reforms and economic changes in favor of disadvantaged sectors may indeed prove to be a pre-Olympics ploy. The DJP platform thus remains essentially antithetical to most democratic demands raised during the revolution and as such, it is a platform for preservation of the *status quo* (Shorrock, 1988).

The crisis in Korea, however, goes beyond the inability or unwillingness of the *status quo* party to change. A more reformist Dae Jung Kim would have changed little had he been elected president. The platform of the Reunification Democratic Party (RDP) supports this assertion. It stands for a constitutional government, individual liberty, and major reforms in favor of the working people and smaller business units. These democratic measures are matched with support for a free enterprise system, closer ties with the United States and Japan, and a strong anti-communist stand in domestic and international affairs. Moreover, the Party's approach to reunification remains ambiguous as does its anti-big business rhetorics, and pro-labor stand (Shorrock, 1988; *The Guardian*, 9 September 1987).

Conclusion

To sum up, while the DJP remains the party of *status quo*, the RDP does not possess the capacity to transform the Korean society even if it was to capture political power. The DJP is still enchanted with the growth model, while the RDP is after the growth with equity approach. As indicated by experiences elsewhere in the Third World, middle-class movements generate enormous potential for revolutionary changes in the direction of realizing democracy, social justice, and national independence. Their realization, however, remains constrained by powerful domestic and international forces (Amirahmadi, 1988). Transition to a post-growth society where these democratic goals are the prime movers of development also remains constrained by the present deadlock in development thinking and the inability of the middle class to break through the deadlock. The current crisis in Korea is "the extension of past struggles for democratic rights and reunification that were cut short by military interventions" (Shorrock, 1988, p. 97). As such, it could not be expected to go away just because of an election.

Postscript: The Olympics Politics and After

"The Olympics [had] been made a religion since 1981" when Seoul was awarded the Summer Games, wrote Chira (1988a) quoting a magazine publisher in South Korea; "Anyone against it [was] labeled an infidel." To better appreciate the truth

behind this statement, we must recall that the Olympics came into the life of the Korean at a very sensitive period in the history of their nation: at the point of growing demand for a new beginning, for a complete transition from the *status quo* to a wholly new domestic and international order. Under this condition, the Olympics served as a constraint on the Government, the military, and the opposition. It also allowed the ruling elites to control political activities of the opposition and defer political and socioeconomic reforms. "With Olympics' peace zones" in force across the city, the police [were] poised to crack down on anyone who demonstrate[d] or stage[d] labor strikes, legal activities in normal times" (Chira, 1988b).

The ruling elite also used the Olympics as a show for foreigners. For examples: "...officials were showering visiting V.I.P.s with gifts" (Chira, 1988a); and "There [were] two Seouls, the everyday one that screech[ed] and blare[d] and laugh[ed] out loud, and the sanitized one that [was] being polished and buffed for the world to see" (Chira, 1988b). Further, vendors on streets of Seoul were banned and the city was swept by the specially equipped vacuum cleaner trucks instead of the regularly used straw brooms. The games were also used to promote the big business and to turn the hidden "defensive patriotism of the Koreans into intense competitiveness with advanced nations" (Chira, 1988a).

The Olympics also served as a means both to promote and diffuse the national ideal of reunification with the North. North and South met for the first time in nearly three years in August of 1988, but failed to reach any agreement. While the South proposes building good will through family visits, trade and citizen's exchange, the North wants a pledge of nonaggression and the eventual withdrawal of American troops. In an offensive move, Roh has asked the United Nations good office to mediate and has tried to get the United States, Japan, the Soviet union, and China involved in an international, six-nation, "consultative conference for peace" and reunification with North (his speech at the UN, October 18, 1988. See Lewis, 1988a). North Koreans have, however, accused Roh as wanting to legitimize the division rather than reunify Korea. North's position is that North and South should become autonomous equal governments inside a greater Confederal Republic of Koryo that would represent them both at the UN and in foreign affairs; the two Koreas would maintain their different economic and political systems; and the United States would have to withdraw its approximately 44,000 troops from the South. The North is also demanding that the United States signs a formal peace treaty with the North to replace the 1953 armistice ending the Korean War, that the two Koreas sign a nonaggression pact, and that the South repeals laws discriminating against communists. (Lewis, 1988b).

The Olympics were also used to sensitize Korean nationalism, a development that may not be in the long-term interest of the Korean elites though in the short-term the business community in the country will benefit from it. "The Olympics, many hope, can show the scoffers that South Korea is more than a nation of grocers and car-makers and no longer the land of Pork Chops Hill and M.A.S.H." (Chira,

1988a). An aspect of the new nationalism is increasingly reflected in growing anti-Americanism, a feeling that the Korean establishment has been unable to control. The NBC reporting of Korea's social ills, biased reporting of the games, and misbehavior by American servicemen and athletes have all helped increase anti-Americanism during the Olympics. "A growing Korean national pride, fed by the Olympics, is promoting resentment over American pressure to open South Korean markets to American goods. Moreover, many Koreans chafe at the continuing presence of American military installations in downtown Seoul, and what many Koreans see as American arrogance.... During the Olympics, many South Koreans booed American athletes and cheered those from Communist countries." (Chira, 1988d).

Meanwhile, economic growth continues; but it could decline: demands for social programs are growing rapidly and a freer work force and the farmers are demanding a higher share of growth; at the same time, democratization has made a wage and price control policy impossible and a less constraint political opposition is constraining planning and other technocratic measures. Wages increased by 20% in 1987 and could increase at a similar rate in 1988. Thus, the danger of inflation, 5% in Fall 1988, remains real as money supply is also increasing rapidly and current account surplus is expanding while new investments are not forthcoming. Exports could also slow down—from a 25% increase in 1987 to an 18% increase in 1988, as wages increase and access to the markets in the United States becomes increasingly difficult. Economic matters are important as their worsening in 1980 triggered the coup.

On political ground, South Koreans have achieved few major victories since Roh's election to presidency of the country in December of 1987. The nation's first opposition-controlled legislature was elected in April 1988, and press freedom and human rights have improved. However, much needs to be achieved: activities of the KCIA continue to remain unchecked, a number of political prisoners remain in jail and other freed can not participate in politics, and Roh's government has continued to crack down on what he calls "revolutionaries" determined to overthrow democracy and capitalism (Chira, 1988e). In the meantime, campus demonstrations have continued to remain a daily event in the country. The influential students movement has seized upon the emotional theme of reunification with the North. They have also made anti-Americanism a central theme of their struggle.

What will happen now that the Olympics are over? "Business leaders have repeatedly called on the Government to crack down on strikes, and are hoping to see tougher policies once the Olympics end." (Chira, 1988g). Meanwhile, the situation has become particularly sensitive as the opposition-controlled legislature, elected in April 1988 with new power, continues its investigations into corruption and abuse of authority during the previous Government which Roh had helped come to power. "The next several months will test not only Mr. Roh's foreign policy, but his commitment to change at home as well. His accommodating manner

and his deliberate rejection of his predecessor's imperious style have won him measured praise even from opposition leaders. But many Koreans, made cautious by a history of brief spells of freedom followed by coups, will be closely watching post-Olympics politics" (Chira, 1988d).

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