

Capitalism in South Korea*

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Introduction

This article has two purposes. On the one hand, for those who are interested in Korea or even specialized in one or the other field of Korean Studies, it attempts to present an overall interpretation of the economic, social and political situation currently existing in South Korea, under the focus of the term "capitalism". For such readers the analytic framework of this essay might be of more interest than the factual information which, in parts, is well-known. Although not all aspects of the present South Korean society can be related to the concept of capitalism, it is the intention of this analysis to show that this society cannot be fully understood without regard to this term and its critical implications. The concept of capitalism that is used in this paper will emerge through the article itself, at least in its concluding part.

On the other hand, for those readers who are interested in capitalism as an analytic term and are familiar with its theoretical implications, though maybe from a more general, political science point of view, this essay intends to present a case-study of capitalism in one particular developing country, using illustrations also from areas usually neglected in theories about capitalism. For such readers, the theoretical aspects of this article will not be new, but they might be interested in the illustrations given.

While, accordingly, this study tries to keep a qualitative balance between concrete description and analytic theory, it does not pretend to remain neutral between positive and negative judgements emerging from the analysis. Three years of life and social involvement in South Korea do not allow the author to be uncommitted. But during the same three years it has been discussed widely in the academic world of Western Europe and North America that a social scientist may be committed, in fact cannot be uncommitted. The social reality this article is dealing with is not "neutral" with regard to the values of justice, freedom and human dignity. Would, then, a "well-balanced", "value-free" description be "objective"?

The certainly too ambitious goal of trying to give an overall interpretation of South Korea demands the discussion of a broad scale of problems. But within the scope of this article, only a sketchy outline can be attempted.

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I. Aspects of the Economic System

1. GNP-Growth

The most frequently mentioned economic data on South Korea are the impressive, almost unbelievable growth rates of the Gross National Product over the last ten, particularly the last five years: 1966: 13.4%, 1967: 8.9%, 1968: 13.3%, 1969: 15.9%, 1970: 9.7%, 1971: 10.2%; 1962–1971 average: 10%¹. The per capita-income, which takes the population growth into consideration, also increased remarkably: 1966: US \$131, 1971: US \$253. These figures might be exaggerated to support the Republic of Korea success-story ("Miracle of the River Han"); the official inflation rates considered in these growth data are probably too low. But these figures cannot be pure fantasy. International creditors watch the Korean economy carefully and could not be deceived completely. There can be no doubt that the South Korean economy did expand rapidly, making South Korea one of the most successful developing countries – as long as high GNP growth is taken as a criterion for development success. This usually unquestioned presupposition does need serious questioning, as does the price paid for this growth and the social consequences resulting from it. Such questions will be raised in the course of this article and will be taken up again in the conclusion. At this point we will continue by asking how and where this remarkable economic growth happened.

2. Sectoral Development and Investments

If we look into the growth rates by industrial sectors we notice what is called an unbalanced development: average GNP growth for the years 1962–69 was 9.9%; in the same period agriculture and fishery grew by an annual average of 4.3%, mining and manufacturing by 17.9%, and social overhead and services by 11.4%. Thus the industrial structure, i.e. the main sectors' contribution to GNP, changed drastically: in 1962 agriculture had a 39.7% share in GNP, in 1969 only 28.4%, while the manufacturing industry grew from 15.0% in 1962 to 24.6% in 1969. Of course, this shift from agricultural to manufacturing production, is a necessary step in the process of modernization. The setting up of new and basic industries, such as fertilizer plants, oil refineries, cement factories and power plants, which were successfully established in South Korea during the First and Second Five Year Economic Development Plans (1962–66 and 1967–71), as well as infrastructure investments in roads, railways, water and electricity supply, communication etc., are inevitable conditions of development in any economic system. However, the speed and the mode of this change in the industrial structure of a country can be very different, and their social implications, too. In South Korea, as in many other developing countries, the undue negligence of agriculture led to rural poverty, mass migration to the cities,

¹ These and all following data are, if not otherwise indicated, taken from or calculated out of government statistics, mostly **Korea Statistical Yearbook 1970**, published by the Economic Planning Board of the Republic of Korea, Seoul, 1970; most 1970 data are from **Monthly Statistics of Korea**, No. 3, 1971, also published by the Economic Planning Board. Growth rate 1971 from **The Korea Times**, Dec. 25, 1971.

and growth of urban slums. We will have to discuss later whether or not this is a typical phenomenon of a capitalist economic system.

Another significant phenomenon of South Korea's economic development is the fast expansion of consumption and service industries, such as textile and clothing, electronics, cars, pharmaceuticals, plastic utensils, banking, insurance, transportation, and tourism. Such industries might not rank in the top priority of a development theory, but for private investors they are certainly more interesting than investment in agriculture, education, or health care.

Finally, there is a striking imbalance in the geographical distribution of economic development. In 1969 80% of all new firms were established in Seoul. Besides the Seoul-Incheon-Suwon area, there is only one other area of major industrial investment: the cities of Masan, Busan and Ulsan on the South-East coast. This has an obvious political explanation since President Park's home province, where he has his strongest electoral support, is in the South East. But there is an additional strong economic reason. Private investment in rural areas is not profitable, in spite of tax favors promised by the government for such investments. The infrastructure is not sufficiently developed and the supply of cheap labor in a rural area is not as unlimited as in urban slums.

This leads to the question: Who in South Korea directs investments with regard to geographical and sectoral distribution? Roughly 20%, recently 25%, of domestic capital formation occurred through government investment or in government enterprises, roughly 70% in private and other public enterprises (the remaining 10% being increases in stocks, or not specified)². Regarding the type of investment, government investment mainly goes into social overhead and some key industries (fertilizer, oil, petrochemicals, iron and steel), while private investment goes where not too much capital is needed and profit comes more easily: middle and light industries (textile, electrical products, cars, pharmaceuticals etc.).

Also, the sources for the financing of these investments have to be analysed. Only one half of the annual total investment came from domestic savings, the other half was financed by foreign capital³. National savings, to a larger part (30–40% of the total), stem from private sources, with a smaller, however recently increasing part, coming from the government. Foreign capital (altogether more than US \$3,000 million by the end of 1970) came only to a small degree as foreign investments (7.5% or 225 million), the rest being loans. Direct foreign investment in South Korea is surprisingly low. Investment climate was not considered to be good so far, partly because of the military tensions on the peninsula. By the middle of 1971 US investors accounted for 58% of all foreign investment, Japanese for 31% (their share, however, rapidly increasing), other major investors being Panama, West Germany, Hongkong, the Netherlands, Italy and Britain^{3a}. Since the ban on 100% Japanese ownership in South Korea was lifted, and since the opening of the Masan Free Trade Zone on the south-east coast, Japanese investors became much more interested in

² Korea Stat. Yearbook 1970, Tab. 49.

³ This accounts for the years 1964–1968. Before 1964 the domestic savings were much lower, in 1969 they reached 57% (op. cit., Tab 57), in 1970 64% (Monthl. Stat. 3/71, Tab. 10), it dropped to 56% in 1971 (The Korea Times, Dec. 25, 1971).

^{3a} Far Eastern Economic Review, August 28, 1971, p. 71.

Korea. On the other hand, big Japanese companies turned away from investment plans in South Korea as soon as Tschou En-lai had declared the Four Principles of Trade with Japan, one of which discriminates against firms investing in South Korea. But beside direct investment, licence and supply contracts as well as loans are other forms of economic dominance. Thus, the fear of Korean intellectuals and businessmen that Korea is again becoming Japan's economic colony seems to be well-grounded. Among the loans the bigger and increasing share (end of 1970: 63.5%) are commercial loans, so-called 'hard loans', and only 29% of all foreign capital came as public loans with 'soft' conditions⁴. This high inflow of foreign capital causes a permanent high inflation (more than 10% annually according to probably conservative government figures) and implies an increasing burden of debt servicing (US \$350 million estimated for 1971⁵). Since 71% of it consisted of loans or investments from private business, most of this capital went into the most profitable sector, the manufacturing industries^{5a}. Only a part of the small share of public loans, much of which were used to purchase rice (see below), was used for infrastructure investments.

We can summarize at this point that the predominance of private domestic or foreign investment (70–80% of total investments) leads to a onesided expansion of secondary industries, because this is the type of investment where one can profit most from low wages and get a return of one's investment within a relatively short time. On the other hand, investments with no profit (infrastructure) or low profit (agriculture), or with high capital requirements (key industries), necessarily are neglected in a developing country where the main part of all available capital is invested by private, profit-oriented investors.

Thus, in the cities of South Korea nowadays one can buy almost everything a consumer could dream of (or advertisements make him dream of), and urban middle class people spend all their money on clothes, shoes, handbags, neck-ties, electric appliances, beer etc. On the other hand there are not enough schools, hospitals, public transportation, roads, drinking water, electricity etc., particularly not in the rural areas, where still one half of the population is living.

This is certainly not a reasonable development! We notice a basic contradiction between the necessities of development and the inner tendencies of capitalism.

3. Foreign Trade

Another contradictory phenomenon of the South Korean economic system is its foreign trade. South Korea, unlike most other developing countries, including North Korea, is poor in raw materials. Some of the raw materials basic for industrialization, such as iron and steel, good coal, and petroleum, Korea needs to **import** (1969: approx. 12% of all imports). Further, she has, like most other developing countries,

⁴ **The Korea Times (TKT)**, Jan. 24, 1971.

⁵ **TKT**, Oct. 10, 1971.

^{5a} Of the approved foreign investments (in June 1971) 49 million were for electronics or electrical equipment, 38 million for petroleum, and 21 million each for chemicals, fertilizers, and textiles or garments (total at the time 244 million). **Far Eastern Economic Review**, August 28, 1971, p. 71.

a tremendous demand for import of capital goods (1969: approx. 36%). Finally, South Korea has a great and increasing need for import of agricultural goods, mainly wheat and rice (1969: approx. 17%).

Thus, in order to be able to pay for these necessary imports, South Korea had to develop her originally very weak **exports**. This was achieved with striking quantitative success: in 1960 exports totaled only \$33 million; but in 1968 they rose to \$455 million, in 1969 to \$622 million and in 1970 to \$835 million; thus export expanded with annual growth rates of about 40%. However, these successes were mainly achieved with manufactured goods for whose production raw materials first had to be imported. For example plywood, the most important single export item (in 1969 12.9% of all exports) is entirely made from imported lumber; textiles, clothes, shoes and wigs (47.5% of 1969 exports) are almost completely made from imported synthetic materials. Further more, to produce export quality advanced machinery had to be imported. Thus, Korea's exports have a very low and decreasing foreign exchange earning rate (51.5% in 1970⁶) and are highly import inducing⁷. No wonder, that, with rising exports, imports grew also (1968: \$1,468 million, 1969: \$1,823 million, 1970: \$1,984 million), and the gap between imports and exports was closing only very slowly (1970 imports were still more than double the exports). Considering further that Korea's manufactured exports (about 80% of all her commodity exports) are facing strong competition, particularly in their main market, the US, which recently imposed special import restrictions, one gets serious doubts that this is a reasonable policy. Finally it has to be mentioned that Korea's manufactured goods are competitive only as long as the Korean workers' wages remain extremely low.

An alternative strategy would be to emphasize export of raw and processed agriculture and fishery products such as fish, sea-weed, tobacco, ginseng, raw silk, fruits, items which have been relatively successful so far though not receiving any government support. They have a very high foreign exchange earning rate (100% and 88% respectively⁸), could directly benefit farmers and fishermen and would stimulate a decentralized small and medium-sized industry. Asking why such export strategy, which has many economic and social advantages, is not supported by the government, one finds only one answer: it is not in the interest of established private business. On the contrary: existing Korean and foreign manufacturing industries facing a weak domestic market are most interested in the government's continued strong support of exports in form of tax and customs favors, preferential tariffs and loans amounting to government subsidies worth 17 cents per \$1 exported⁹. It is easy to predict that this kind of export policy will soon get into serious difficulties both at home and abroad.

⁶ According to a Bank of Korea report, contradicting a higher government figure. **TKT**, March 27, 1971.

⁷ Korea imported \$405 million worth of raw and semi-processed materials in order to export \$835 million! **TKT**, March 27, 1971.

⁸ According to a survey of the 1968 exports. **TKT**, August 15, 1969.

⁹ **TKT**, August 15, 1969.

4. Agriculture

Several times in the preceding paragraphs we noted South Korea's weak agricultural policy. One of the most striking symptoms is the fact that Korea, a rice exporting country under Japanese colonial rule, now has to import great amounts of rice¹⁰, wheat and sugar. Selfsufficiency in food had been one of the main targets of the Second Five-Year Plan, but now even the Third Plan (1972–76) does not envisage full selfsupply in grains. In fact, Korea's grain self-supply rate has dropped from 97% in 1965 to 81% in 1970¹¹.

Another symptom of a weak agricultural policy is the widening gap between rural and urban income. Urban households increased their expenditures from 1963–68 by 63%, rural households over the same period by 8%¹². This is a direct consequence of the too low rice price which is set and controlled by the government and which does not even meet the production costs¹³. The inadequate agricultural production has mainly structural reasons:

1. The farmland units are too small. The average size of land is 2.25 acres (0.9 hectare) per farm household, but one third of all farmers own less than 1.25 acre.
2. The size and shape of the fields are too small and irregular to be accessible for farm machinery.
3. One fourth of the nation's rice paddies (at the end of 1969) needed irrigation to ensure against drought.
4. Korea's farm economy is not sufficiently diversified. But to expand the profitable cash crop farming (vegetables, fruits, mushrooms, mulberrytrees for sericulture etc.), Korean farmers would need support with capital, instruction, and marketing. The same is true for livestock breeding and dairy farming. However, the loans available for the agriculture and fishery sector sharply decreased from 40% of all public loans in 1963 to 14% in 1969¹⁴.

The government has made some efforts to develop agriculture. Five modern fertilizer plants have been established which provide the full domestic supply. Pesticides and insecticides are now domestically available also. Land arrangement and land reclamation as well as irrigation programs have been accomplished. But the figures given in the beginning of this paragraph and the fact that hundreds of thousands of farmers desert their land only to find themselves living in urban slums, indicate that these efforts have been far from satisfactory. When the government announced the Third Five Year Plan (1972–76) it was claimed that special emphasis will be given to the agriculture-fisheries sector. In fact, the plan figures for annual growth of the primary sector (4.5%) and the share of total investments allocated to this sector (11.8%) are higher than the performance figures of the Second Five Year Plan (3% and 9.7% respectively)¹⁵. However, they are lower than the original plan

¹⁰ In 1970, in spite of a bumper crop in 1969, one fifth of the nation's rice demand had to be imported, worth \$140 million while total exports that year earned \$835 million.

¹¹ According to a Bank of Korea report from December, 1970.

¹² From a report of the Korea Economic Research Center.

¹³ According to a 1970 survey of the Korean Farm Culture Research Association.

¹⁴ According to a Bank of Korea survey.

¹⁵ Figures from **TKT**, January 1, 1972.

figures of that Second Plan (5% and 16.3%) which had such a poor result¹⁶. Thus, the FAO stated that the planned growth rate of 4.5% for Korea's primary sector is much too low for a satisfactory development¹⁷.

The main obstacle to a drastic increase in agricultural productivity seems to be the too small economic units in South Korea's agriculture. A plan has been prepared to lift the land ownership ceiling of 7.5 acres (3 hectares) which was established in the land reform of 1949¹⁸. This would allow urban businessmen to invest in profitable sectors of agriculture. But it certainly would ruin the vast majority of poor farmers. Already now there is 20% tenant farming, though banned by the present law¹⁹. The only alternative to this capitalist approach would be to stimulate and support a genuine movement to form production co-operatives among farmers. It is more than doubtful that Park's regime will follow this socialist path, although it seems to be the only one to modernize agriculture without driving most of the farmers from their fields into urban slums.

II. Aspects of the Social System

1. Urbanization

Cities in South Korea are exploding. Besides Seoul, Kwangju, Taegu, Taejeon, and Incheon are those with the fastest growth rate. But Seoul with an annual growth rate of 8% (2% natural increase, 6% immigration) is among the fastest growing cities in the world. It doubled within 10 years, i.e. from 2.5 million people in 1960 to 5.0 million in 1970. In 1972 Seoul's population will surpass 6 million. This means that about one thousand newcomers stream into an already overcrowded city daily! Even the most effective city administration could not keep path with such an influx and provide housing, employment, transportation, schools, water, electricity, and garbage collection for such numbers. Thus, Seoul is getting more and more chaotic.

Most obvious in daily life is the **transportation problem**. In spite of the city's great efforts to expand streets and build elevated highways, streets are overcrowded with taxis, private cars and buses, the only means of mass transportation. Here we have to note a typical capitalistic feature of social life in South Korea. While the nation's total number of cars doubled from 50,000 in 1966 to 109,000 in 1969, the number of Seoul's cars jumped from 20,000 to 50,000. During the same three years the number of private cars in Seoul tripled from 8,000 to 24,000²⁰. In 1971 private cars for a few privileged people represented 60% of all cars in Seoul. Why in the world was this tolerated while 80% of the people (or more) depend on those buses which are packed worse than chicken-coops²¹? There is only one convincing answer: three foreign car producers (Toyota, Ford, and Fiat) are competing on the Korean market to sell locally assembled cars, and the Seoul City government did not want or could

¹⁶ **The Second Five Year Economic Development Plan**, Seoul 1966.

¹⁷ TKT, December 26, 1970.

¹⁸ TKT, November 30, 1971.

¹⁹ TKT, November 30, 1971.

²⁰ **Statistical Yearbook of Seoul**, 1970.

²¹ Early in 1972 Seoul's City Hall ordered that all seats should be removed from public buses so that they can carry more passengers!

not afford to hurt their interests by refusing licenses for private cars²². The latter would have been the reasonable policy if one considers that two cars, usually only transporting two persons, take as much space as one bus which serves 30 persons.

Another irrational but very capitalist phenomenon is that about 200 small bus companies are competing for passengers in the down-town area of Seoul, while the outskirts are neglected. Also, it is in these private owners' interest when buses are overcrowded and poorly maintained, but certainly not in the people's.

In a similar way we discover a basic conflict between the interests of the people and those of private entrepreneurs when we look into the fantastic problems of **air and water pollution**. Paradoxically, they are worse in this underdeveloped country than in the highly industrialized nations, where they are bad enough²³. A US pollution expert called the northern Han River, which serves as the main drinking water source for Seoul, worse than New York's sewage²⁴. Beside the fact that Seoul and other cities in South Korea do not have any human waste treatment facilities and no sewage system, this air and water pollution is caused by the unchecked disposal of untreated industrial waste and smoke. But 80% of Seoul's air pollution is ascribed to exhaust from cars, a consequence of the poor quality of gasoline and diesel oil as well as of old and poorly maintained engines. All this is not a matter of technical know-how or of being a poor or a rich country, but of whether or not the government is willing to force car owners and companies to use anti-pollution devices. Of course, their costs would reduce the profits.

Housing is another of the tremendous problems South Korea's cities have to face because of rural-urban migration. In 1970 there were only 600,000 houses for the one million households in Seoul, and 180,000 of them were illegal. It was then estimated by the city administration that in the slum areas an average of three households, comprising 12–15 people, occupy each little house. According to this estimate, 2.5 million people, that is one half of Seoul's population at that time, were living as squatters. Some of these illegal houses are solid and have been permanent for 10 or 20 years. But more than half of them are merely wooden shacks or even tents²⁵. Houses in slums have no drinking water supply, no sewage, often no electricity, no garbage collection and their inhabitants depend on a few public toilets. Experts say that other Asian slums are much worse than Korea's. But it should be considered that winter in Korea is extremely cold with temperatures around minus 20 degrees Celsius.

Seoul's city administration made two large attempts to clear away slums. In 1968/69

²² In April, 1971 the Transportation Ministry lifted the until then existing "restrictions" on private car licence approvals! **TKT**, April 11, 1971.

²³ Dust fall-out in Seoul is 38 tons on the average per month/km², in downtown areas 67.7 tons, while the safety level is set at 6.5 tons. Taegu chalks up 48 tons. In Japan's major cities it was 14 tons in 1965. **TKT**, May 20, 1970.

²⁴ **The Washington Post**, December 18, 1970. The Han River around Seoul has a BOD of between 18 and 39 PPM while the international standard for safe water is 4–5 PPM. **TKT**, Jan. 1, 1971.

²⁵ See table I/68 of **A Study in Urban Slum Population**, undertaken in 1966 and published by the College of Medicine and School of Public Health, Seoul National University, Seoul, 1967. — More recent and more comprehensive data can be expected from **A Low Income Housing Area Survey** by the Institute for Urban Studies of Yonsei University, Seoul, which in the fall of 1971 was in the stage of evaluation.

400 apartment buildings with 16,000 housing units were built within a short time on the city-owned steep hillsides which used to be covered with slums. But in spite of cheap construction people still had to spend about \$1,000 to move in. Therefore, many sold their priority tickets or the flat after having fixed it up. Nowadays less than 60% of the occupants are former slum dwellers. The City had to stop the huge program after one apartment building collapsed killing 33 people. Most of the other 400 apartment blocks were found to need repair and reinforcement, some of them even destruction, because of slipshod construction and large-scale embezzlement of funds.

Then the city administration began to remove tens of thousands of slum dwellers to Kwangju, a new town two bus-hours south-east of Seoul. Those who had owned their little shack — half of the families had to pay a rent even for a hut²⁶ — were given a small piece of land and a tent for four families; no jobs, no houses, no transportation to Seoul. The situation in this new slum city got so bad that in August 1971 the people there lost their patience and rose up. 1,000 riot policemen had to be mobilized to disperse the demonstrations. Land speculation of small brokers and big financiers, another capitalist feature fully working in South Korea, also contributed to frustrate this "solution". An estimated 60% of the people sold their piece of land and moved back to Seoul — into another slum.

To build enough apartments is apparently beyond the city's financial power. To remove slums from the inner city to other places is certainly no solution either. There is no solution to slums once they exist. So, one has to ask for the causes: where do the slum dwellers come from and why do they come?

Reliable and comprehensive data are not yet available, but some smaller surveys (compare footnote 25) suggest that aside from some small groups of war refugees, most squatters come from rural areas, either directly to Seoul or via provincial cities. Their motivations are certainly various, and are composed of a number of 'pushing' and 'pulling' factors. But it is generally assumed that urban immigrants are either young people who do not see any economic opportunity in their rural homes, or whole families who do not possess enough land to sustain themselves and are attracted by a rather vague but glamorous image of the city which allegedly provides all kinds of opportunities for everybody. Government propaganda supports this image. Thus the urban problems are closely interrelated with the rural problems.

This brings us back to our earlier criticism that the South Korean government failed to develop agriculture. Beside our previous explanation that this is due to the fact that private investors are not interested in agriculture, we now have to add the strong suspicion that the uncontrolled rural-urban migration is in fact welcomed by the government, since it provides unlimited reserves of people who are willing to work for any wage. (32% of the household heads in Seoul's slums are unemployed or with no regular job²⁷.) Since the government's "export first" policy and its attempts to attract foreign investors depend on a continuous low wage level, it is logical not to do anything to prevent poor farmers from coming to the cities.

²⁶ See table I/67 in the **Study in Urban Slum Population**.

²⁷ A tentative, not yet published result of the survey mentioned under ²⁵ *supra*.

2. Grass-Root Life and Class-Structure

How are these people who came to the city, full of hope, making their living? With a few but typical examples I would like to illustrate what life is like at the bottom of a capitalist system in a developing country.

If the father of a family is strong enough, he will borrow an A-frame (a wooden structure to carry loads on the back) and try to get occasional work. If he gets an order, he will have to work hard and will get a fee of maybe 25 cents an hour. His wife has got a job she can do at home so that she can watch the baby. She cracks nuts, but has to work 12 hours in order to get 50 cents. The oldest son knows a dealer from whom he can borrow a bundle of neckties which he tries to sell on the street. But from the dollar he might be able to make during the day he has to pay a daily interest of 5% on the goods he borrowed for his little "shop". The daughter of the family is lucky to have a "permanent" job in a small garment workshop. But she has to work for 12 to 15 hours every day, has no day off in a month, and gets only 10 dollars per month. Thus, the family is making a daily income of maybe two dollars²⁸. This is just enough to get simple food every day (20 to 30 cents for one bowl of rice or noodle-soup) and pay the rent for the one room in a shack which is owned by a fish-dealer.

Another example might be a single girl from the countryside coming to Seoul. She finds work as a housemaid, first in a middle-class family, later in a small inn. In both cases she does not get any pay, except free room and board for a 15-hour day. When she could not stand it any more she ran away. After days of hunger she found a private "employment center" which promised her a well earning job in a beer hall. After a few days of work she was forced to serve as a prostitute. Because of her debts to the center they would not let her go. A policeman to whom she tried to tell her story was paid-off by the brothel-owner.

This is exploitation at grass-root level. These examples show the dehumanizing effects of the principle of profit which — in development theories — stimulates people for economic activities and which — in reality — drives people, even on the lowest levels, to squeeze those who are one step lower.

Poverty as such does not stir people who do not know any other life. But poverty frustrates the poor if right next to them there are quite a number of people — the urban middle class — wasting money on fashionable clothes, in restaurants and beer halls, and a small number of people — the upper class, consisting of businessmen, politicians and military leaders — leading a provocatively luxurious life and additionally accumulating the invisible wealth of the nation. There is not only a gap between rural and urban living, but also an even bigger gap within the urban society.

Here, we have to consider more deeply the **class-structure** emerging in a capitalist developing country like South Korea. 'Class', in the sense Karl Marx gave this term, means more than a group of people on the same income stratum. (That is the degenerated meaning of 'class' in functional sociology, as used above.) It stands for a group of people who are in the same social-economic situation. The class of capi-

²⁸ In fact, in 1969 the average daily household income in slum areas was found to be 300 Won (1 Dollar). Source: see ²⁷ *supra*.

talists is characterized by their power of disposal of profit and jobs (no matter how low their personal income might be), while the class of workers (no matter how high their income is) is classified by their dependency on place of work owned by others and their lack of influence over the disposal of the wealth they helped to create. A similar class-distinction can be made with regard to landlords and tenant farmers.

It is one of the characteristics of capitalist industrialization that it creates the new class of industrial workers. Unlike the farmer or the craftsman and more than the feudal farm-worker, the industrial worker's total life situation depends on having or not having a job. Being unemployed in an urban slum exposes a man and his family to extreme physical and psychological hardships. If we further consider that in a capitalist developing country being temporarily sick, being disobedient to the employer, working for a labor union, or getting older than forty, are reasons for losing one's job, then we might understand that belonging to the working class implies more than having a low income. Likewise, belonging to the class of capitalists means more than having a relatively high or very high personal income. The latter have economic and political power over the former, individually and as a class.

The employee in an office, in a shop, or in other service industries is basically in the same situation of dependency as the industrial worker is. The fact that he or she usually has a higher income and better working conditions than a laborer might conceal, but does not change his situation. But since employees usually are better off materially ("middle class") they can more easily be corrupted and integrated into the system.

Speaking in quantitative terms South Korea's class structure is roughly like this: of the 10 million economically active population 5 million are working in agriculture and fishery (mainly as self-employed and family workers), 1 million is working in mining and manufacturing industries (mainly as laborers), 2 million are working in tertiary industries (mainly as employees) while 2 million are self-employed or family workers in the non-agricultural sectors^{28a}.

3. The Education System

Education in South Korea is theoretically free for six years of compulsory education. In reality there are "school support fees" and other irregular expenses, but it is probably fair to say that there are no families who could not cover such expenses. But from middle school on through high school until university, education is getting more and more expensive.

All monthly expenses for a child in a public middle or high school amount to roughly US \$20; in a good private school parents would have to pay around \$30. The very common private tutoring for a high school student to enable him to pass difficult

^{28a} The exact figures for 1970 are (taken or calculated from **Monthly Statistics of Korea**, 3/1971, Tab. 3 and 6, in million): economically active population: 10.020; "employed" 9.574; in agriculture, forestry, and fishery 4.834; in mining and manufacturing 1.369 (of which 0.393 were self-employed or family workers), in social overhead and other services 3.371 (of which 1.359 were self-employed or family workers), leaving 0.446 as officially "unemployed".

university entrance exams will cost his parents \$30–50 a month. Enrollment in one of the numerous private universities costs \$200 to 300, and every new term \$250, not counting the student's monthly living costs. Government schools are less expensive, but only Seoul National University, with the country's most difficult entrance examination, has a "name-value".

If we recall that the average farm household in 1969 had a monthly income of roughly \$75 and the urban wage earner household one of around \$90²⁹, of which at least one half must be spent on food, then it becomes clear that higher education is out of reach for children of the vast majority of the South Korean population.

The fact that higher education in South Korea is something one must buy from institutions who are selling it (and often are making a good profit from this business) is one of the factors which separates classes. While a child's education depends on his father's income it is the child's education which in turn determines his future income and his children's education. Thus, the low income people get a low education and accordingly only low earning jobs. But children from the middle and upper classes get a high education which allows them to get well-paid and influential jobs. Only very few and exceptionally intelligent children are able to break out of this circle by getting one of the very rare scholarships. They do not falsify the general rule that in South Korea higher education costs private money and therefore is inaccessible for whole classes of people. This is one of the grave social aspects of capitalism which is built on the ideological principle that you have to pay for whatever you want to get.

4. The Health Care System

We observe structurally the same problem in the field of medical care. Like educational medical care in South Korea costs private money, and one has to "buy" it from private doctors or hospitals. Doctors are known to make a lot of money from their health enterprises.

Most American or South Korean readers will find this "natural", but in fact this is another "unnatural" feature of a capitalist society. The consequences include the following. In July 1970 almost one half of South Korea's townships (myon = a low administrative unit) were without a qualified doctor, the same situation as four years earlier³⁰. These areas are without a doctor not because of a general lack of doctors in Korea, but because of a lack of purchasing power in the villages. No private doctor can make his living in a rural area since the farmers cannot afford to pay for his expensive advice. The same is true of the poor people in the cities who see the fancy clinics and hospitals, massed together in Seoul and Busan³¹, only from outside. 50 to 60% of the rural as well as the urban population consult only the pharmacist or the drug-store-keeper whenever they are sick³². So, there are not only doctor-

²⁹ According to government statistics and a Won-Dollar-rate of then 300:1.

³⁰ 639 out of 1,467 townships or 43.5%, according to statistics of the Ministry of Health and Social Affairs. TKT, July 18, 1970.

³¹ 47% of the 5,400 hospitals and clinics are located in Seoul and Busan (**Health Manpower Study**, School of Public Health, Seoul National University, 1970).

³² From the study mentioned under ³¹ *supra*. Same result from a government survey, TKT, November 22, 1969.

less rural areas, but also doctorless classes within the cities which, according to the statistics are so well supplied with doctors³³.

This is not a symptom of South Korea's underdevelopment, since there are a good number of physicians, and thousands have been allowed to go abroad³⁴. Rather, this is, to say it again, a consequence of the capitalist type of health care. In this system, doctors, who invested a lot of private money into a long and too specialized training, go where the money is: to the urban middle and upper classes, or abroad. Not these physicians, but the system should be blamed.

Two more consequences are related to the fact that in a capitalist society health care is a product sold on the market. The doctor-patient-relationship is basically disturbed by distrust. The patient may be afraid that the doctor is trying to sell him a treatment he does not really need, while the doctor, against the best of his intention and professional ethics, is tempted to prescribe treatments which make his expensive clinic more profitable. The same is true of the pharmacist who is a businessman, not to mention the profit-interested pharmaceutical industry and its advertising efforts. (At least three big foreign pharmaceutical concerns are flooding the Korean market, which is not regulated, with medicines produced in Korea: Pfizer, Hoechst, and Bayer).

The third grave consequence of a capitalist health care system is a severe negligence of public health and preventive medicine. Hospitals and young physicians choosing their special fields are not interested in these most important branches of all medicine. A hospital which is expected at least to cover its costs cannot afford to run a public health or preventive medicine program for which nobody pays. And how can one expect a young, able doctor to go into one of the government's public health centers where he gets \$130 a month as long as the society allows the rest of his colleagues to earn several times more as private practitioners?

The South Korean government has established health centers, one in each *gun* or *gu* (administrative unit below the province). But in March 1971, of the 1,220 positions for doctors, 370 were vacant³⁵. Also the sub-health centers, supposedly one in each *myon*, are very short of medical personnel. 90% of their health workers (there are supposed to be one TB, one family planning, and one mother-and-child-care worker in each) are hired on a temporary basis, unqualified or not doing medical work³⁵. A survey revealed that very few people visit the health centers although they charge only a very low fee, because of bureaucratic procedures and rude treatment (doctors' motivation!)³⁶.

³³ According to an oral information from the Ministry of Health and Social Affairs there are 12 doctors for every 10,000 people in Seoul, while there are 2 to 4 physicians for 10,000 people in rural provinces (including the provincial cities!). The statistical doctor-patient ratio then is 1:833 in Seoul and 1:5,000 or 1:2,500 in rural provinces (provincial average!).

³⁴ **Health Manpower Study** (figures rounded): there were some 8,000 physicians registered in 1967 for a population of 30 million. About 2,000 of them were non-active or abroad, 1,250 were serving in the army (resulting in a doctor-patient ratio of 1:480 young, healthy men!) and roughly 2,000 were practicing in Seoul, leaving less than 3,000 for the rest of the country.

³⁵ According to a report from the Ministry of Health, **TKT**, March 30, 1971.

³⁶ Only 6.6% of rural people make use of health centers according to a Health Ministry survey, **TKT**, November 22, 1969.

Finally, it must be stated that the capitalist ideology that everybody is to be responsible for himself is contrary to the idea that medical service should be available to all who need it. As long as one's health care is connected with one's private financial situation, opportunities to become cured will be as unequally distributed as is income. Only a national health care system where everybody pays dues according to his financial ability but gets any medical service he needs free of charge, and where doctors are employed by the communities just like teachers, only such a system is able to distribute health care equally to all classes and areas and meet the medical needs of the country, whether they are profitable or not. Other developing countries who are poorer than South Korea, but have different priorities, have adopted such a socialist system (e.g. Ceylon, Tanzania or North Korea, to name but a few).

III. Aspects of the Political System

What kind of a political system supports this economic and social system?

1. The President

The Republic of Korea has a presidential constitution. There is a prime minister and a cabinet, but they are nominated by the president and have hardly any more than administrative power. Policy decisions, from the big issues of foreign policy down to details such as where a new super highway should run, are made in the Blue House, the presidential palace. Thus resembling the US American concentration of power, there is, however, one important difference: in the reality of South Korea's political life the parliament has no checking power. This is for two reasons: First, elections are not free and fair enough to give any opposition party a chance to win a majority against the president (see below); second, the president, not by the constitution, of course, but by practice of over 20 years, is at the same time president of the ruling party. As such he has the exclusive and final power to nominate his party's candidates or even exclude Assemblymen from the party. This means that all representatives belonging to the government party solely depend on the president's good will if they want to retain or regain a lucrative parliamentary seat. This makes inner-party opposition, hence parliamentary opposition, against the president almost impossible³⁷.

The constitution had a provision (article 39, 3) which allowed a president to be reelected only once. But President Park, being already in his second term (1967–1971), planned and had passed a revision which allows "three consecutive terms". The word "consecutive" was added at the last minute giving room to the speculation Park Chung-hee would continue his one-man-rule even beyond his third term after a short interregnum of a puppet. The same constitutional amendment, which was

³⁷ An existing minority faction within the DRP under Kim Jong-pil's leadership was completely eradicated by Park Chung-hee during the years 1968 to 1971, mainly because there was considerable resistance within the DRP against a constitutional revision to allow Park a third presidential candidacy.

passed under highly illegal circumstances³⁸, raised the majority for impeachment of the president from one half to two thirds of the members of parliament (article 61, 2).

In April 1971 Park Chung-hee was reelected through unfair and manipulated elections (see below) and he seemed to be the unchallenged and omnipotent ruler of South Korea. And yet, since still there was social unrest, public criticism, increasing economic problems, and maybe even the threat of a right-wing military coup, Park declared, on December 6, the State of Emergency, although there was no open crisis. As "reason" for this action Park quoted, beside the unspecified "threat from the North", international developments "including China's entrance into the UN". On December 27, his ruling party "passed" in a secret session a special bill which gave the president the following rights: to ban public assemblies and demonstrations (which were prohibited anyway), to control "irresponsible debates" in the mass media (which were censored anyway), to freeze wages, rents and prices, to interfere in labor disputes, and to mobilize any material or human resources for national purposes. Thus, President Park entered the year 1972 as a dictator, unhampered by any rest of democratic control.

2. Parliament, Parties, Elections

The powerlessness of the **parliament** was already mentioned. It is downgraded to a national public notary, passing bundles of laws without any discussion. The chairmen of all the committees belong to the government party, and the Speaker, of course, too. The opposition party, now holding 89 out of the 204 seats in the National Assembly, has not much more power than to demand interrogation of cabinet members.

The **Democratic Republican Party** (DRP), the government party, is a well organized machine with mass membership down to grass-root levels. Kim Jong-pil, the mastermind of the 1960 military coup, had organized the party soon after the coup. At the time of elections members are mobilized all over the country to work as neighborhood campaign aids. Of course, for a government party it is easy to "pay" for such activities in one form or another. After elimination of the Kim Jong-pil faction the party appears as a monolithic bloc bound to Park Chung-hee's successes.

The main opposition party is the **New Democratic Party** (NDP), a split product from the 1960 ruling Democratic Party. It is a loose organization of professional politicians fighting each other, without mass membership. The party has no political program of its own and beside criticizing the government in domestic affairs it often reacts more conservative and more anti-communist than the DRP. Its presidential candidate in the 1971 race, Kim Dae-jung, a very able, young politician, who had won his party's nomination in a uniquely democratic procedure against the party leadership, had tried during his very successful campaign to formulate an alternative

³⁸ The DRP faction held at two o'clock at night Sunday, September 14, 1969, a secret meeting in a dark annex building without informing the opposition party or the public. Nobody from outside the DRP was there to count the votes of this "constitutional amendment"!

policy to the government, including some more progressive elements of a social-democratic nature. But he failed to gain his own party's support. When the NDP's president had to resign after having sold his constituency to the DRP, Kim Dae-jung was not elected the party's new president. Old Hands, engaged in heated factional struggles without any political meaning, won over him.

There are two **splinter parties** with one seat each represented in the Assembly. Beside that a number of other parties are tolerated. Only one of them, the United Socialist Party, has a political program to offer, but is not allowed to gain support. When its president, Kim Chul, in a press conference in August 1971, suggested a moderate policy of coexistence with North Korea he was arrested and accused of having violated the Anti-Communism Law.

Elections in South Korea have always been heavily rigged. In 1960 and in 1967 so many and such grave irregularities came to light afterwards that violent student protests occurred, which in 1960 finally led to Syngman Rhee's downfall. In the 1971 elections, for the first time in Korea's history, several thousand students and a few dozen clergymen went to the provinces as election observers. But not many stories of such crude tactics as ballot-stuffing, electricity black-out during vote-counting, knock-down of opposition observers etc. were reported. However, this fact says more about the quality of the election manipulations than the quality of the elections themselves. Methods have become more refined. E.g. voters' lists were prepared by the Home Ministry, not by an independent election management committee, and excluded NDP sympathizers while including DRP-voters several times³⁹. The Election Management Committee did not include any representative of the opposition party. Police, local administrators, and the government broadcasting system were not neutral, but strongly pro-government. The secret service discouraged potential NDP supporters from donations or membership while "encouraging" support for the government party. Other methods are too complicated to be explained in brief. But the author, from his own observations of both the presidential and the general elections in April and May 1971, cannot recognize them as the free, democratic elections they pretended to be.

3. The Military and the Secret Services

Military leaders have played a significant role in South Korea since a group of young army officers took power in the coup of May, 1961. Park Chung-hee, himself an army general, used to surround himself with military comrades, even after he became a civilian president through the 1963 "elections". But now, as the economic and administrative machinery is getting more and more complicated, Park seems to prefer experts, and he sometimes appoints professors on important advisory or government posts. The group of professional politicians is now his favorite reservoir rather than military leaders, who nowadays seem to be more confined to their jobs.

³⁹ Naturally the quantitative effect of this kind of manipulation cannot be verified since only single cases became known. The author heard of one case when a DRP man voted seven times.

And this job is big enough. Compulsory military drill begins in high school and is continued with two (at times three or four) hours weekly in the universities. It is carried out on the campuses by active-duty officers, consisting of lectures, formal drill, and exercise with small arms. Military service is three years, so that the ROK army with 600,000 men is one of the biggest armies in the world. After having finished military service, every man becomes a member of the Homeland Reserve Force, a 2.5 million man militia. In the biweekly training hours (the units are organized within schools, big companies, or villages) military officers make sure that nobody forgets who the enemy is.

Since the middle of 1971 the political role of the military, so far one of the strongest supports of Park's regime, is no longer so clear as it used to be. The mutiny of a special air-force unit in August 1971 and Japanese news reports nourished speculations that Park, on December 6, declared the State of Emergency to prevent a military coup.

There are three **secret services** operating independently in South Korea. But beside the Counter Espionage Operations Headquarters and the Army Security Command, the Central Intelligence Agency (Korean CIA) is the strongest and politically most influential. It is not exaggerated to say that the CIA fully controls the political parties, including the government party, all major organizations, including the labor unions, the mass media (there is an official representative of the CIA in each newspaper office) and the campuses (e.g. student chairman elections are financially manipulated by the CIA, informants are everywhere among students). The omnipresence of the CIA can be experienced by everybody living in South Korea for some time if he is somehow involved with socially relevant organizations. That the CIA grew politically powerful, maybe too powerful, became evident when President Park dismissed the very influential director of the CIA, Kim Hyong-wook, shortly after the constitutional amendment struggle in the fall of 1969, obviously as a price paid to Park's opponents within the government party, and maybe in Park's own interest. Now the CIA is led by Lee Hu-rak, Park's right hand man for many years and one of the strongest men in Park Chung-hee's inner circle.

4. Anti-Communism

What makes it easy for the CIA to operate among the people is the deep-rooted anti-communism. It is partly a result of experiences during the Korean war which was conducted brutally on both sides, and partly a fruit of permanent anti-communist education and propaganda. Anti-communism in the very primitive form of creating fear of the "Red Devils" is incorporated in all school-books and even university curricula, cinema news, and military training. Anti-communist slogans and postures are everywhere. News about "armed agents" who, for example, allegedly have bottles of poison with them in order to kill hundreds of people by poisoning a well, appear in the newspapers at almost regular intervals, with special emphasis on pre-election times. A good number of these stories can be recognized as made-up, but even critical Korean intellectuals believe them without any doubt.

There is a very handy Anti-Communism Law which allows one to brand any criticism of the government as "communist" and thus make it the object of special legal

procedures (no evidence is required!) and extremely severe punishments. And anybody, who was stamped a communist agent, will not find any sympathizer or supporter among South Koreans.

There is very little substance to this official anti-communism. It simply is against "communism", thus rallying support for any government and any policy, which is anti-communist. More sophisticated college students would identify anti-communism with "democracy" as a political system based on "free elections", and "capitalism" as an economic system based on "private property". The function of this ideology is not so much protection against "the enemy in the North" but suppression of any opposition within the South.

5. Student Protest

There is a long tradition of student's political involvement in Korea. 1919 and 1929 students were leading in uprisings against the Japanese colonial rule, in 1960 student demonstrations led to the resignation of Rhee Syngman's dictatorial regime, 1964/65 students violently protested against the Korean-Japanese Normalization Treaty, not to mention smaller protest movements against rigged elections (1967), corruption (1966, 1971), constitutional amendment (1969), social injustice and labor problems (1970), or military drill on campus (1971). This tradition, however, seems to be a burden rather than a help for South Korea's students of today. They tend to see themselves as an elite and as saviours of the nation, although their demonstrations nowadays fail to gain popular support. And, remembering April 1960, they easily overestimate the power of their demonstrations, which regularly are stopped by a well equipped riot-police before they even can take to the streets.

From 1970 on, student leaders began to become aware of their isolation from the people and the lack of political consciousness and analytic theory among the students. Political circles and illegal student papers as well as first contacts to the labor movement began to develop but were completely crushed when, on October 15, 1971, after a few days of ordinary student demonstrations, Park Chung-hee ordered elite troupes to occupy the six leading universities, had all others closed, more than thousand students arrested, several thousand drafted into the army, and four student leaders accused of high treason. Thus, the student protest movement in Korea, like in other countries where it failed to become a mass movement, is no more, if it ever was, a political force the powerful regime has to be afraid of.

6. The Labor Movement

Maybe we should say that there is no labor movement in South Korea. There are labor unions which have organized 470,000 members in 17 industrial unions and form the Federation of Korean Trade Unions. But the history of these labor organizations is not that of a genuine labor movement. Since the time of the Anti-Japanese struggle through the years of Syngman Rhee, the Student Uprising and the Military Coup, again and again the unions were organized from the top to the bottom to serve

as instruments for those in power⁴⁰. After the US military government had outlawed the communist unions early after the liberation, there was no more socialism, the natural ideology for a true labor movement, among organized workers.

At present the unions are very much shop-oriented and concerned with wage questions alone. Most union representatives on branch level are paid by the company, and not seldom the whole union of that company is a "yellow union". Many of the union leaders are closely related to the government party and not a few are corrupt enough to co-operate with the CIA. But there are also signs, that at the grass-roots and among the leaders, too, a new orientation is growing, a consciousness of a wider responsibility for social justice in South Korea. However, before the unions could become a powerful force in South Korea's political system they would have to double their membership and strengthen the workers' class consciousness to become a strong and representative organization which could be called a labor movement. Both is extremely difficult under present circumstances.

Since the skilled laborers are, and increasingly will be, demanded by the growing industries, there is theoretically a chance for the unions to gain some power. On the other hand, the 'army' of unemployed unskilled or semi-skilled workers is so large (the official figure of 4.5% is meaningless) and is, because of rural poverty, growing so fast, that it is very difficult to organize workers. South Korea has good labor laws — on paper, which theoretically give workers protection and the unions all rights they need, including the legality of strike. But in reality the government, from the labor inspectors up to the President, is on the side of those who can pay. Foreign capital which the government wants to attract for investment so far already enjoyed special "protection"⁴¹. This protection now is extended to all private capital in South Korea since, in December 1971, the President was given special emergency powers, including the right to freeze wages and decide labor disputes. As long as this "emergency" lasts there is no room for an independent free labor movement to develop.

7. Big Business

Most difficult to analyze because less public than even the CIA is the economic-political structure, very insufficiently named "Big Business".

However, a recent government survey showed⁴² that markets of most of the important products are monopolized by one, two, or a handful of manufactures. Explosives, soda ash, aluminium, rayon yarn, and three-wheeled trucks are completely monopolized by one firm each. Two firms each share the market of buses, trucks, sugar, glutamate, electric wires, plate-glass, and beer. For the following items five

⁴⁰ For the history of Korean unionism see: Park Young-ki, **Unionism and Labor Legislation in Korea**. *Korea Observer*, vol 1/2, 1969, p. 94—102.

⁴¹ If a company has more than \$100,000 foreign capital, all labor disputes can be subject to immediate compulsory arbitration by the government. In the Free Trade Zone now under construction around the southern port city Masan, which is to attract foreign, particularly Japanese investors for exclusive export production, labor unions are completely banned.

⁴² **TKT**, April 3, 1971.

companies dominate 80% of the market: automobile lubricants, auto tire tubes, cement, transformers, anti-biotics, multi-vitamin pills, television receivers, reinforced steel, plywood, and electric generators. Although this says something about the economic and political power of those monopoly firms, it is almost impossible to see how these firms are connected among each other, who owns what and how the big concerns are structured. Since there are not yet mass share-holders there is very little publicity. Like in the pioneer epoch of industrialization in Europe or North America, many of these concerns are one-man-empires.

Unfortunately even less information is available about the interrelation between Big Business and politics. One can only guess from symptoms. There are certainly direct personal ties in many cases⁴³. But they might not be as important as financial ties.

Since the government pretends to be democratic much money is needed to conduct and win elections. Also, the big machine of the government party and the CIA and their "special expenses" must cost a lot of money. Therefore one can assume that the government depends to a large degree on "donations" from those who control big capital.

On the other hand, the power of a government which does not abide by the law and can regulate every detail to one's favor or disadvantage is so great that businessmen depend to an even larger degree on the goodwill of government officials or the government leaders. They need approvals, permissions, licences for so many activities, particularly for import, foreign loans, and export subsidies, taxation is so "free" and public fees so "flexible" that there are innumerable occasions to pay for a "favor".

Thus **corruption** on all levels has grown into such dimensions that even President Park has repeatedly deplored the situation and called for stern measures. But as long as there is private control over big capital there will be corruption.

What is the political influence of Big Business? This is indeed hard to say and harder to verify. But judging from the government's policy concerning investments, tax favors, exports, agriculture, the labor unions, urbanization, etc. one can only assume that the political influence of the economic leaders must be big enough to push for a policy which serves their interests.

IV. Summary, Conclusion

We have reviewed a variety of aspects of South Korea's economic, social and political life. Some aspects, such as mass media and the judicial system, we could not deal with because of lack of sufficient information. One important aspect, foreign relations, particularly US-American and Japanese influence on South Korea as well as South-North-Korean relations, we omitted because these questions would easily make up an extra essay.

⁴³ E.g. the chairman of the parliament's Construction Committee for some time was one of the big cement producers.

Analysis and interpretation of the present South Korean society is the main purpose of this essay. Such interpretation, when it focuses on a few main points, cannot represent the "full picture". Inevitably it will be "onesided". But it seems to be legitimized if it succeeds in structuring a disorganized flood of data, thus making them more understandable and showing their interrelatedness as well as some of their causes. "Pure description" (if there could be any description without implicit interpretation!) cannot achieve this. 'Capitalism' serves as the interpretive instrument of this analysis. In the process of clarifying its meaning we will first recall the most important observations of the previous three sections.

Among the aspects of the economic system we found most striking was the tremendous growth of South Korea's GNP. This growth was, however, achieved at the price of a neglected agriculture, high inflation, and dangerously high inflow of foreign capital, mainly as loans. The expansion predominantly occurred in the secondary industries, more precisely in the consumption-oriented industries. Since the domestic market could not absorb their overproduction, the government began heavily to subsidize exports of these commodities although their production increased imports and foreign debts. We further saw that the predominance of manufacturing industries in Korea's economic development stems from the fact that the biggest share of all available capital, domestic and foreign, was at the disposal of private investors, who, naturally, are interested in a fast return of maximum profit. Under such a system agriculture, infrastructure, and "investment in man" (health, education, culture) necessarily are neglected. Therefore, we now conclude, capitalism is not a suitable economic system to develop a country in the broad sense of human development. It might be good at creating fast GNP-growth rates since the profit interest of private investors directs the investments where the fastest growth can be expected. But this produces a sectorally and regionally unbalanced economic development which creates tensions within the system and leads a temporary boom into a structural crisis as it now can be observed in South Korea. And is it not true that maximum GNP-growth is itself a capitalist goal? We must reject the assumption that development, humane development, could be measured in GNP-growth or per-capita-income. The social aspects of South Korea's development should warn us.

Most strikingly we observed the problems of an uncontrolled urbanization: growing slums, air- and water-pollution, traffic congestion, housing shortage, worsened by unrestricted land speculation, and the widening gap between those who enjoy a luxurious life and those who can hardly make their living. We saw that this urban explosion is related to the negligence of agriculture and that both phenomena serve to guarantee the manufacturing industries, particularly the export industries, a large and cheap labor force. Apart from the income- and wealth-polarization (the necessary accumulation of capital favors only a few), we noticed the emergence of the new class of workers and employees who are extremely dependent upon employers. Further we observed class-barriers in the educational as well as in the health care system. Both aspects are concerned with basic human needs, and we could see that a purely capitalist society is not able to meet these needs equally for all. It creates and protects classes of privileged people.

The main aspects of South Korea's political system complete the picture: dictatorial concentration of power in the hands of the president, a well organized government party, manipulated elections, a large military machine and efficient secret services,

well controlled mass media, military discipline for all ages, elimination of student protest and labor movement, and an omnipresent ideology of anti-communism with obvious domestic purposes.

All this supports a social-economic system which cannot survive for long because of its inner tensions and contradictions. If a government boasts with economic successes, but ones the vast majority can only observe, and not enjoy — then control of inevitable social unrest will be needed. If a government creates a high rate of inflation but cannot allow wages to rise because otherwise export products would no longer be competitive and foreign investments no longer interesting — then corruption of the labor unions is unavoidable. If a government pretends to be democratic but is bound to break the rules in order to stay in power — then manipulation of elections, elimination of student protest and suppression of public criticism is inevitable. In fact, an economic system which benefits but a few and exploits the masses cannot afford to have free elections, free press, and free mass movements. This is the basic contradiction between capitalism in the narrow sense of an economic system and parliamentary democracy as a political system. This contradiction we can also observe in other capitalist developing countries (such as Taiwan, Thailand, South Vietnam, the Philippines, most Latin American states, and the "white" African countries). We even begin to rediscover it in the seemingly democratic, but perhaps only superficially democratic societies of Western Europe and North America.

Whether capitalism is a term which can be universally applied to all non-socialist industrializing or highly industrialized societies without becoming a mere slogan, we need not and cannot sufficiently discuss in this article. For our subject, the South Korean society, there is no other analytic term which adequately expresses the specific interrelatedness of South Korea's economic, social and political system. The alliance of interests between those in power and those in business who can maintain their joint rule only through a system of suppression, is best characterized by the term capitalism. It indicates that the core of this economic-political system is the fact that the wealth of a nation, although collectively created and accumulated, is gathered in the hands of a few private owners of productive capital who can use their economic power to support a political power which serves their interests. The term capitalism further indicates private disposal of profits⁴⁴. Even if the private capital owners, domestic or foreign, spend only a small portion of their wealth in consumption of luxurious goods or in capital transactions out of the country, and if they reinvest most of their gains, still the private owners' profit-oriented investments are not all investments in the people's interest. This we can observe in a capitalist developing country like South Korea as well as in our waste-making economies with material affluency, cultural poverty, and social injustice.

This conflict between private profit interest and general interest of the people is basic and the same for any capitalist society, be it England in the early 19th century, or USA in the late 20th century, or South Korea living in both epochs. Of course, there are interesting differences between these stages and situations. Particularly the role of the state, the function of international trade, or the forms of social con-

⁴⁴ Since, thus, private ownership in means of production is part of the definition of capitalism the term 'private capitalism' is a pleonasm.

control are quite different in the three types of capitalism mentioned above. For example, the government has much more economic power and influence in South Korea today than The English government had at the time of Manchester liberalism. The South Korean government has so many ways of granting or refusing privileges in taxation, loan distribution (control of foreign capital!), foreign trade licenses, legislation and administration, that one could think that capitalists depend on the government rather than the government being their instrument. Also the potential conflict between for example Korean and Japanese economic interests in South Korea seem to benefit the Korean government rather than to harm it. But certainly the South Korean government also depends on Big Business to finance its expensive machine of control, manipulation and suppression. Further, any-capitalist policy would discourage domestic and foreign investment, thus depriving the government of its economic basis. Thus, it seems to be useless and unimportant to speculate about who depends more on the other.

The government's stronger position results among other reasons from the different international situation. Industrialization in Europe occurred partly through exploitation of colonies, and in the USA, first capital was accumulated through expropriation of the Indians and extreme exploitation of black slaves. On the contrary, present industrializing countries, most of them having been exploited as colonies themselves, have no outside resources to draw on, and therefore depend on foreign capital for fast accumulation (and they have, for various reasons, less time than the European societies had). While the early European capitalists met only each other as equal competitors when they began to develop world trade, capitalists from today's developing countries meet highly superior economic powers who already control the world market. For these and for other reasons capitalists in newly industrializing countries need and tolerate more governmental economic activities than their early European or North American predecessors did. Therefore one might call this form of capitalism a 'government directed capitalism'. But is that much different from what we observe in the USA or West Europe today where Big Business needs and expects more and more economic interference by the governments concerned in order to avoid severe crises?

Certainly the type of police-state control of social unrest and mass organisation in early European capitalism and, technically more efficient, that in capitalist developing countries today, is different from a more refined method of social control through public education, mass media, and consumptive affluency as it can be seen in relatively liberal capitalist countries such as West Germany or the USA.

However, differences which can be noted between capitalism of the type Karl Marx analyzed and of the kind we now can see in developing countries like South Korea do not seem to be very important and fundamental. The one, undifferentiated term capitalism which signals the existence of private control over a nation's wealth still seems to be clear and concise enough to name and characterize a social, economic, and political system like the one we analyzed in this article.