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**Miracle from the Rhein to the Han River:
Heavy industrialisation of South Korea and
its social consequences under Park Chung Hee**

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Declaration

I declare that this thesis is my own work and has not been submitted in substantially the same form for the award of a higher degree elsewhere. This thesis is being submitted simultaneously to Lancaster University (UK) and the University of Siegen (Germany) as part of the double-award PhD programme in 'European and Global Studies' according to the joint agreement between Lancaster University and the University of Siegen.

Abstract

Yongsue Han, M.A.: Miracle from the Rhein to the Han River: heavy industrialisation of South Korea and its social consequences under Park Chung Hee, PhD Thesis, Lancaster University, February 2016

This thesis deals with the influence of German philosophical doctrines on the development of heavy industry in South Korea under president Park Chung Hee in the 1970s. It argues that Park's dictatorship in the 1970s was an archetype of 'technocratic heavy industrialisation' with the goal to undergo a very compressed and rapid transition to a heavy industry based economy following the post-Vietnam War détente. Park's political economy originates from a very German strategy in overcoming 'systemic vulnerabilities: scarce natural resources and an ominous foreign security threat'. This was to be achieved through the imposition of a military-led authoritarianism and the mobilisation of the entire population in preparation for 'total war'. In the 1930s and 1940s, political economy of techno-fascism was introduced in Manchuria by the Japanese Army, with German counsel, which was later emulated by the postwar Japanese government and Park's regime in the 1970s.

In the 1970s, Park needed to broaden his ruling coalition, with the military on one side and business on the other, in order to launch his program of heavy industrialisation. Park was also inclined to provide 'side payments' to the population to placate democratic militancy opposing his dictatorship. To achieve these goals, Park introduced the term 'Miracle on the Rhein' to describe West Germany's postwar economic rise from the ashes as a model to follow for South Korea. With this economic model and based on German doctrines of total war that were refracted into Korea by way of Japanese colonisation Park introduced the techno-fascist institutions that were to overcome the South Korean predicaments of scarce resources and the Northern Communist security threat.

This thesis addresses Park's dictatorship in terms of mobilisation of national human capital and financial resources, allocation of mobilised resources to those specific sectors that accounted for heavy industrialisation, and the social consequences of these policies. To overcome developmental backwardness due to the country's very late industrialisation, Park adopted Gerschenkron's catch-up strategy in his pursuit of rapid industrial development. Park then deployed German doctrines and ideas in his pursuit of the industrial transition, which had a substantial impact on educational reform,

the socio-economic order and property distribution in South Korea. This thesis shows that Park's heavy industrialisation had fostered a state-business alliance and a political compromise between the elites and the emergent middle through the state's intervention into the structure of property ownership while the skill-less labour class remained marginalised.

Abbreviations

AES	Army Engineering School
AID	Agency for International Development
CSE	Civil Service Examinations
DMZ	Demilitarised Zone
ECA	Economic Cooperation Administration
EPB	Economic Planning Board
FKI	Federation of Korean Industries
HCI(P)	Heavy and Chemical Industry (Policy)
ISI	Import-Substitution Industrialisation
KCIA	Korean Central Intelligence Agency
KEDI	Korean Educational Development Institute
KHB	Korea Housing Bank
KIST	Korea Institute of Science and Technology
KMA	Korean Military Academy
KNSDC	Korean National Student Defence Corps
KNHC	Korean National Housing Corporation
KPG	Korean Provisional Government
LDP	Liberal Democratic Party (of Japan)
LR	Land Readjustment
MITI	Ministry of International Trade and Industry
MOC	Ministry of Construction
MOE	Ministry of Education
NSC	National Security Council
NHF	National Housing Funds
NCR	National Conference for Reunification
NDC	National Defence College
NSC	National Security Council
ONTA	Office of National Tax Administration
PPF	Property Formation Politics
RFT	Reserve Forces Training
ROK	Republic of Korea
SCNR	Supreme Council for National Reconstruction

USAMGIK United States Army Military Government in Korea

VA *Vermögensbildung* in Arbeitnehmerhand

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I. Introduction

South Korea was one of the exceptional products of postwar nation-making of East Asia by the USA that achieved rapid economic development and democratization in the last century. Along with vast amount of economic aid and military commitment for establishing a fortress against Communism, the American initiatives aimed at establishing liberal democracy, market mechanism, and modernisation in South Korea played a substantial role in the success of South Korea. However, South Korea did not adopt the American guidelines without resistance. ‘A large part of South Korean success has been its agility and flexibility in taking advantage of and overcoming the obstacles presented in the changing domestic and international political economy’ (Kim, E.-m., 1994, 214). We saw the emergence of military despotism, developmental autocracy, planned and state-directed economy, and authoritarianism.

In particular, President Park Chung Hee tailored institutions and ideas to his own purposes that suited his own aspirations for heavy industrialisation. It is generally known that Park emulated the Japanese economic model. But he did not officially promote Japan but Germany. As Germany had heavily influenced Japan’s political economy, Park’s promotion of Germany could be regarded as a ruse to hide his preference to Japan. However, this research argues that the German statehood had played substantial roles under Park’s regime more than a role of smokescreen to hide his aim to articulate with Japanese regionalism.

The fathers of the modern nation-states of East Asia were commonly influenced by Germany when it came to their favoured model of social, political and economic development. Itō Hirobumi (1841-1909), Meiji Japan’s first Prime Minister, looked to the Prussian model for inspiration when drafting the Meiji Constitution while emphatically rejecting a British-influenced constitution in 1890 (Takii, 2014). Yamagata Aritomo (1833-1922) established the modern Japanese Army in the image of the Prussian Army.

In the 1920s and 1930s, Chiang Kai-shek, the founding leader of the Republic of China (1887-1975) admired the discipline and orderliness of the Germanic national spirit. He wrote in a letter to his adopted son who had been sent off to the ‘Military Academy (*Kriegsschule*)’ in Munich that ‘Germany is the only country from which we can learn something. They can give us the base from which to develop our own style: firm and solid’ (Chiang, cited in Taylor, 2009, 101).

In the 1920s, Ishiwara Kanji (1889-1949) a general of the Imperial Japanese Army

and Kishi Nobuske (1896-1987) a Japanese statesman went to Germany, There they were heavily influenced by the militarisation of society and industrial rationalisation in Germany, which inspired them to lead Japan's invasion of northeast part of China and subsequent establishment of Manchukuo in 1932. In rejection of laissez-faire capitalism, the Japanese Army and the bureaucrats of Manchukuo adopted strategy of Five Year Economic Planning and statist development model to pursue heavy industrialisation based on German model (Mimura, 2011, 1-6).

Finally, in the 1960s and 1970s after long disruption, Park Chung Hee of South Korea strongly touted West Germany as an ideal model for the modernisation of South Korea. To prepare for his first presidential election of 1963, Park published his seminal book '*The country, revolution, and I*'. In one chapter of his book, he dealt with promote postwar economic growth '*Wirtschaftswunder*' of West Germany. He coined 'Miracle on the Rhein' as an ideal model for economic model for South Korea (Park, C. H., 1963, 143-151). Furthermore, in the chapter, he dared to praise Hitler and Bismarck as:

there are another great elements of reconstruction: the German people had a good leader. This leader has no secular ambition for power. His only ambition was to serve and develop his country... It is a fact that even Bismarck and Hitler were men who could do 'something' for their people. It is no exaggeration then to say that the postwar miracle on the Rhein is attributed to the power of good leadership. No progress is possible without good leadership' (Park, C. H., 1963, 148).

Park submitted the chapter to political leaders of Federal Republic of Germany through Eugen Gerstenmeier (1906-1986) who was Bundestag President (FRG, 1964, BA, B136/ 6264). In spite of problematic view of Park, Eugen Gerstenmeier responded to Park by writing '*Recovery of Germany Der Aufschwung Deutschlands*'. He manifested his dissent on occupation policy of the USA in the aftermath of the World War II by illustrating postwar economic growth of West Germany (Gerstenmaier, 2007, 112-116). Park's regime published Gerstenmeier's text in Korean language textbook for the second year of the middle school, which was taught as a seminal literature on the Miracle on the Rhein from 1965 to 1973 (Choi, S.-h., 2007, 112). Park and his henchmen continued to conceptualise a 'Miracle on the Rhein' to underpin Park's pursuit of heavy industrialisation strategy in the 1970s. The 'Miracle on the Rhein' was a medley of fictionally and empirically conceptualised Germany

based on Park's personal experiences of German impacts on wartime Japanese Empire and his visit to West Germany in 1964 which comprised:

- Prussian impact through mediation of Japanese colonial rule of Korea
- Tutelage of German total war system to the heavy industrialisation in the Manchukuo regime
- The wartime political economy in Japan's construction of Co-Prosperity Sphere based on Japan's adaption of Hegel and Ranke's philosophy
- Postwar currency reform and the economic reconstruction in West Germany
- The influence of *Ordoliberalism* on social policy of South Korea
- The competition between the West and East Germany in allusion to hostile confrontation between North and South in Korea

Park wished to disseminate his conceptualised Germany to justify dictatorship and to transform society in his dogmatic pursuit of heavy industrialisation policy. Park's deployment of 'Miracle on the Rhein' combines a mixture of empirical and fabricated interpretations. Park and his henchmen selectively referenced the postwar economic recovery of West Germany while much of fictional Germany was produced to be usurped as a smokescreen for avoiding democratic suspect on Park's connection to Japan and justifying his rejection of liberal democracy for prioritising national security and economic development.

As to promotion of Germany by Park's regime, diplomats in Seoul from the USA and Federal Republic of Germany reported in their communications to their governments. According to the declassified USA documents, the American officials were concerned on Park's efforts to turn to West Germany for economic model (Macdonald, 1992, 293; Brazinsky, 2005, 95).

Meanwhile, Karl Büniger, German Ambassador to Seoul stated that the economic policy of Park Chung Hee was based on the modernisation of Japan, American occupation policy of postwar Japan, character of German people, and postwar economic growth of Federal Republic of Germany in his document '*Staatsbesuch Korea Botschafter Büniger hat folgende Charakteristik von Staatspräsident Park Chung Hee*' (FDR. Büniger, 1964, BA, B122/5485). In spite of significance of Park's conceptualisation of Germany, there has been a lack of academic research on this issue.

As to the role of Germany in the rise of developmental state, some Western scholars of Korean studies claimed that Japan acted as a link between Germany statecraft of the late nineteenth century and the close relationship between political and corporate elites in Korean society since the 1960s. Cumings posited that ‘a common trait of the developmental state is the simultaneous prioritisation of national security and economic development springs from a shared belief among political leaders between Japan and Korea that the state should act as the primary agent of social transformation and, consequently, that it is legitimate for the state to mobilise societal resources to that end’ (Johnson, 1982; Cumings, 1999b; Hundt, 2009, 3). However, their treatments of the role of German model in East Asia in their writings are superficial and limited in their analysis. Moreover, compared with extensive accumulation of research on the German tutelage to Japan, the reception of German statecraft by Korea has much to be explored.

Against this backdrop, this research aims to explore the less-known reception of German statecraft by Park’s regime, which lies in the ‘genealogy’ of formation of developmental state in East Asia. Hence, the thrust of this research addresses why reason for conceptualisation of the Miracle on the Rhein, its social consequence, and relevancies through heavy industrialisation under Park’s regimes in the 1970s. By doing so, this research reveals the role of German model in transforming Korean society in three sectors in re-orientation of education, building-up economic institutes, and promoting house-owning policy. This study contributes to understanding interaction between Germany and Korea in formation of current political economy,

1. German influence on American modernisation theorists and their tacit approval of military despotism

On 16 May 1961, General Park Chung Hee toppled a parliamentary government of South Korea through a military coup led by 3,000 soldiers. In the immediate aftermath of the military coup, Park remained little known to the public. Park had served as a military officer in the Kwantung Army of Imperial Japan in Manchukuo in the 1940s. Furthermore, Park and his family had a communist background and were involved in mass uprisings to subvert the state. He had long been a marginalised general in his lack of promotions due to his past communist activities. Park’s elderly brother was a communist killed during an uprising against the American Military Government. Considering the strong anti-Japanese and anti-communist sentiments in South Korea along with his illegitimate overthrow of democracy in 1961, Park was not a figure who could gain public support in any South Korean political

situation without significant objection. However, the Kennedy Administration of the USA approved Park's elevation to political power. The USA continued to support Park by providing massive economic and military aid to Park's regime throughout the 1960s (Ma, S.-y., 2001).

At the time US foreign policymakers were considering an interim military regime in South Korea, after having witnessed the economic and political fiasco of civilian democracy in South Korea during the 1950s. They were influenced by 1950s modernisation theory based on Max Weber's question on the ability of Confucian societies in Asia to achieve economic growth and Lipset's hypothesis on the democratic preconditions for economic growth. Thrust of the modernisation is that democratic development is an evolutionary phenomenon as a collateral product of socioeconomic development in modernity (Weber, 1951; Lipset, 1959; Henderson, 1993, 340). Along with German impact on the American, some modernisation theorists regarded that American support of military despotism in South Korea was inevitable on the condition that it built up an economic base for democracy and consolidated anti-communism in South Korea. They believed that a modernised militaristic organisation of South Korea autonomous from traditional social structures was needed to perform the modernisation. From this background, Park's military junta was lucky to gain coveted and covert support from the Kennedy Administration (USA. Congress, 1959, 114-115; USA. Department of State, Central Files, 795B.00/5-560, 5 May 1960).

After seizing political power, Park had prepared an ambitious plan for the establishment of a heavily industrialised and fully self-reliant economy. Park and his military staff were strongly inclined towards a postwar German style economic development and currency reform. However, the US intervened against this plan because of their strong opposition to nationalistic autarchic economic models. The US forced Park to adopt an export-oriented growth strategy relying on labour-intensive nondurable-products and to accept free trade by integrating the South Korean economy into the Japanese economic sphere. Although Park failed to obtain support from the masses and the intellectuals, Park managed to achieve economic take-off with the guidance of US advisors. By the late 1960s, the USA observed that '[South] Korea had evolved from an extremely poor country almost entirely dependent on US economic assistance to a developing trading nation' (USA. Congress, 1978, 158).

Hence, the US considered that Park's transitional role was coming to an end after finishing his two terms of presidency. Park could step down with much acclaim for his

contribution to the economic take-off of the South Korean state from absolute poverty by 1971. However, Park had strong political aspirations and wished to prolong his political power permanently and to resume his frustrated efforts for heavy industrialisation of the early 1960s. Park turned to a radical contingent plan in response to a shift in US foreign policy towards Far East Asia in the late 1960s. As the failure of US efforts in the Vietnam War was becoming apparent in the late 1960s, the Nixon Administration of the US made the decision to end American involvement of the war. The USA had begun to see China as a strategic partner in a coalition against the Soviet Union. Hence, President Nixon became determined to seek a rapprochement with China. This shift of American Cold War strategy had created a mood of détente and weakened anti-communism efforts in Far East Asia (Nixon, 1967; Cumings, 1997). To expedite the normalisation of the Sino-USA relation, the Nixon Administration revealed a plan for a reduction of the 20,000 USA military troops in South Korea pursuant to recommendations by the National Security Council in 1970 (USA. Congress, 1978, 33).

Park seized this opportunity by responding indignantly to Nixon's plan. Park argued that the Nixon's policy had created a security threat to South Korea. So Park declared a 'state of emergency' in South Korea and adopted authoritarianism in October 1972. Subsequently, Park declared his ambitious plan for pursuing the 'Heavy and Chemical Industry Policy (HCIP)' and 'Scientification of all Nationalities' in 1973. Park claimed that the HCIP could redress the security crisis because the facilities of the HCI could be easily converted to producing military weapons, which included a nuclear program. Furthermore, Park claimed that the HCIP is a long-term project that required the massive mobilisation of state resources. Therefore, dictatorship should be adopted to perform the HCIP as efficiently as possible. Park's pursuit of the HCIP lasted until his abrupt death in 1979 (Kim, H.-a., 2004; O, W.-c., 2009).

As to the success of South Korea's economic growth in the 1960s and 1970s, the official view of the US administration and the World Bank (1991b) was that the promotion of liberalism and market-friendly policies were its main contributors. On November 2nd 1983, President Ronald Reagan delivered an address before the Korean National Assembly:

In the early years following World War II, the future of Korea and of all Asia was very much in doubt. Against the hopes of Korea and other new nations for prosperity and freedom stood the legacies of war, poverty, and colonial rule. In the background

of this struggle, the great ideological issues of our era were heard: Would the future of the region be democratic or totalitarian? Communism, at that time, seemed to offer rapid industrialisation. The notion that the people of the region should govern their own lives seemed to some an impractical and undue luxury. But Americans and the people of Korea shared a different vision of the future... Korea's rapid development benefited greatly from the free flow of trade which characterised the 1960's and 1970's (Reagan, 1983).

Did the US really promote democracy and liberalism while rejecting totalitarianism in South Korea? As the rise of Park's regime demonstrates, the answer is 'no'. The US did not take full-fledged measures to eradicate the legacies of Japanese fascism in South Korea after its liberation in 1945. General Park Chung Hee was a military officer of the Japan's fascist system underpinning Imperial Japan at its zenith in the 1930s and 1940s. His ascendancy to political power in 1961 resulted from a covert attempt by American foreign policy makers to use fascism in their fight against communism in South Korea.

2. Legacy of Japanese techno-fascism

This research argues that Park's political economy in the 1970s originates from mainly two inspirations of Imperial Japan from Germany: (1) Prussian mentoring to Meiji Japan for the establishment of an imperial nation-state in the late nineteenth century (Martin, 1995) and (2) militarisation of German society with technical upgrading and heavy industrialisation with an emphasis from the period between the First World War and the Weimar Republic (Feldman, 1966; König, 2007).

Based on this argument, the research aims to analyse Park Chung Hee's pursuit of an authoritarian model for heavy industrialisation in the 1970s with special reference to Japanese techno-fascist institutions during the wartime to overcome the 'systemic vulnerability' of South Korea in the 1970s. As to the dictatorship under the Park's regime, South Korean scholars have written a great deal about it, but in a mainly descriptive manner that usually lacks a strong analytical component (Cho, H.-y., 2010; Lee, B.-c., 2003; Lim, J.-h., 2010). Lim, J.-c. (2010) coined 'mass dictatorship' to explain the nature of Park's authoritarianism as fascism. The 'mass dictatorship' implies that Park's despotism resulted from voluntary mass participation and support. Lim's proponents of 'fascism from mass support' under Park's regime had provoked controversial public debates in South Korea.

But this research rejects the approaches to Park's regime in terms of fascism although Park's authoritarianism had a strong affinity to Japanese 'techno-fascism' of the 1930s and 1940s. In spite of the lack of consensus on defining Japanese fascism (Maruyama, 1969; Sim, 1982; Willensky, 2005), this research understands that wartime Japan was 'techno-fascist' in line with Mimura (2011). The 'techno-fascism' was a concept offered by Janis Mimura (2011) in her research on heavy industrialisation experimented by the Japanese Kwantung Army in Manchukuo, northeast part of China in the 1930s and 1940s. She defined 'techno-fascism' as 'a new form of authoritarian rule in which the 'totalist' state is fused with the military and bureaucratic planning agencies and controlled by technocrats'. In Manchukuo, the technocratic leaders operated the wartime economy in a form of a state-directed planned economy with the managerial principles of 'fusing private and public' and 'separating capital and management' (Mimura, 2011, 4).

The 'techno-fascism' evolved from 'Rich Nation, Strong Army (富国强兵)' Japan's state ideology of 'techno-nationalism aggressively pursued by the Meiji government (Samuels, 1994; Moore, 2006). In Japan's techno-nationalism, the military-led national system of innovation was important, which contributed to Japan's elevation to modernised and technical superpower (Moore, 2006, 2-3). Japan's particular 'techno-economic paradigm' underwent a transformation from the period between World War I and the Great Depression. In response to the crisis of global capitalism, the Japanese elites became concerned with 'systemic vulnerabilities' in their country in the geopolitical context: (1) Japan as a 'have-not' country: scarce endowment of natural resources for the maintenance of self-reliance and (2) security threats from strong neighbouring states like China and Russia. Some Japanese military elites saw that Germany bore similarities to their state. But the German people knew how to overcome their constraints by the role of military-imposed institutions during the First Great War (Doner, *et al.*, 2005; Ritchie, 2010; Mimura, 2011, 3-5).

During the First World War, numerous Japanese military elites were dispatched to Europe to observe the Great War in Europe. In particular, those officers sent to Germany were very impressed by the technical innovations and high levels of heavy industrialisation undertaken by the German military in their efforts to overcome their constraints. The Japanese military elites came to believe that the combination of 'technology' and 'national spirit' guided by authoritarian rule could overcome Japan's geopolitical vulnerabilities (Peatie, 1975; Mimura, 2011, 5; Kataya, 2012).

In 1931, without the consent of the government, the Japanese Army invaded Manchuria, in northeast China to establish Manchukuo, a puppet state to be ruled by the Kwantung Army of Imperial Japan until 1945 (Han, Suk-jung, 1995). Then, the Japanese military launched an experiment of German-styled wartime heavy industrialisation by establishing technocratic-fascist institutions. The military had proceeded with technological innovations by embracing bureaucrats and technocrats. This experiment of the Manchurian heavy industrialisation under techno-fascism was emulated by democratic governments in postwar Japan. Yukio Noguchi (1998) coined Japan's system of wartime mobilisation as 'The 1940 System (1940 *nen-taisei*)'. However, Japan continued to maintain the 1940 system in the postwar era (Noguchi, 1998). These authoritarian political economies emerged as a third way for achieving rapid economic growth between the economic 'liberalism' promoted by the USA and the communist system imposed by the Soviet Union during the Cold War (Sasada, 2008; Mimura, 2011).

Park Chung Hee was a military officer who had served in the Kwantung Army of Imperial Japan in the 1940s. Park is assumed to have been inspired from his first-hand experience of Manchurian techno-fascism. In the 1970s, South Korea under Park also witnessed authoritarian heavy industrialisation in emulation of the heavy industrialisation of Manchukuo after going through historical discontinuities (Kim, H.-a., 2004). However, impacts of economic model of Manchukuo on Park are based on assumption without direct evidence in spite of Park's preference for Japan's Imperial ideology. Hence, there remains much to be explored more on the connection between Park and Manchukuo. Park and his intellectual henchmen directly referenced to postwar West Germany's economic growth coining 'the Miracle on the Rhein', a Park regime narrative, that was a mixture of fictional and empirical accounts of German postwar economic growth as an ideal model for South Korea and a smokescreen to detour suspicion of Park's inspiration from wartime political economy of the Japanese Empire.

The 'Miracle on the Rhein' remained an abstract concept while Park's military regime had been focusing on the export of non-durable products of light industry in the 1960s. By the late 1960s, it had begun to take more concrete forms in the process of incorporating authoritarianism and subsequent pursuits of heavy industrialisation. Park's notion of the 'Miracle on the Han River' was his ultimate aim embodying the accomplishment of an autarchic heavily industrialised economy accompanied by the build-up of powerful defence

capabilities, including a nuclear weapons program. Park strongly wished to be rid of American economic and military dependence.

To perform the transformation from an economy dominated by light industry to one of heavy industry, Park was confronted with some difficult issues that needed to be surmounted such as: (1) expanding the ruling elite from a monopoly of the military to a coalition between big business and technocrats to successfully pull off the high levels of industrialisation; (2) mobilising financial resources to the sectors of heavy industry to the detriment of private consumption (3) re-orientating the educational system to have technical upgrading in priorities; and (4) tackling the escalating democratic-militancy against Park's dictatorship and the HCIP.

To tackle these daunting challenges, Park turned to authoritarianism to form a 'developmental alliance' a nexus of military, big business and technocrats (Hundt, 2009). The nexus of the ruling class nurtured 'Korean big business (*chaebol*)' to benefit from scale economies and institutional roles in their catch-up strategies to overcome scarcity of resources. Furthermore, they strengthened the scope of the security threat by expanding on the concept of enemies from the neighbouring communist states to labour classes as a potential threat to their regime in pursuit of heavy industrialisation. Park's intellectuals sought to find German references for their ideological and practical underpinnings of dictatorship with a special focus on militarism, organic statehood, a state-led planned economy, and fascistic nationalism.

3. Research questions, scope of research, and method

There are three primary topics with specific research questions: (1) German influence on Korea during the colonial period from 1910 to 1945 and (2) Park's references to Germany in the 1960s and 1970s; and (3) Park's pursuit of heavy industrialisation and its social consequences. First, this study deals with sub-questions on complicated routes and origins of the German impact on Korea since the Meiji Japan period to 1945 as follows:

- (1) How did the Prussian state model play a pivotal role in the modernisation of the Meiji Japan?
- (2) What did Meiji Japan learn from the German scholars, statesmen, and military with a special focus on Lorenz von Stein?

- (3) What did the Japanese military elites learn from the militarisation of German society from the Great War to the Weimar Republic?
- (4) How did Japanese intellectuals turn to German thinkers like Hegel and Ranke to justify the Japanese war against China and the USA?

Second, the study looks at the origin of the ‘Miracle on the Rhein’, Park’s conceptualisation of an ideal model for South Korea to follow with more specific questions such as:

- (1) How did Park and his staff come to adopt the German model as an ideal model for South Korea after removing democracy?
- (2) What influences did Park gain from his visit to Germany in 1964?

Finally questions address the origin of Park’s incorporation of dictatorship and industrial expansion with a historical analysis and case studies such as:

- (1) What is the historical background of Park’s incorporation of heavy industrialisation and dictatorship?
- (2) How did Park transform education and re-orient it to focus on technical upgrading and boosting of the national consciousness in reference to German thinkers?
- (3) What elements did Park and his staff select from Max Weber’s writings to contribute to modernisation and overcome Confucianism and Communism?
- (4) How did Park quote Fichte’s writings to underpin nationalistic education and justify the self-reliance of the national economy and military capabilities?
- (5) Why did Park’s legal staff introduce Carl Schmitt’s ideas on the Presidential Emergency Power?
- (6) How are Schmitt’s thoughts related to Park’s preparation of dictatorship?
- (7) What are the main impacts of Presidential Emergency Powers used by Park and what are its social consequences?
- (8) What did Park and his economic staff learn from Germany in the implementation of state-directed housing construction and the promotion of home-ownership policies?

(9) How did Park use the home-ownership politics to make a compromise with the middle-class?

By answering these questions, my aim is to understand the essence of Park's 'Miracle on the Rhein'. This research analyses how Park's political economy utilised a variety of German thoughts and doctrines through historical and theoretical analysis. The historical analysis divides into three parts: (1) a general survey of modern historical settings from the end of the pre-modern dynasty to Park's era, (2) German influence on Korea through Japanese colonial rule, and (3) Park's invention of the 'Miracle on the Rhein' in the 1960s. Through providing the historical analysis, I aim to clarify the link of Park's intellectual inheritance from Germany through Japan to conceptualise the 'Miracle on the Rhein'. I pinpoint its components as: (1) inaugural tutelage of Bismarckian Prussia in its ascendancy and late modernisation to Meiji Japan in the late nineteenth century; (2) learning by the Japanese military of German 'total war' military doctrines during the First World War and from the Nazi German economy's ability to overcome limited resources in mobilising for war in the 1940s (3) Park's conceptualisation of the 'Miracle on the Rhein' from his first-hand experience of West German postwar economic growth in 1964.

After providing an historical background, this research analyses Park's heavy industrialisation in three topics where German doctrines were utilised to overcome 'systematic vulnerabilities': (1) reforming education as an engine for the production of human capital with technical know-how and exaggerating the communist threat to national security; (2) Park's deployment of Carl Schmitt's 'emergency measures' for establishing a constitutional basis for pursuing heavy industrialisation and its endogenous effect on South Korea; and, (3) state-developed housing policies to promote home ownership as a way of providing 'social payments' along with the social consequences to the distribution of income.

First, in 1968 Park declared the Charter of National Education to mobilise education for economic growth by prioritising technical know-how as the main component in both education and within the national spirit. The proclamation of the Charter was a preliminary measure for ushering in the heavy industrialisation of the 1970s. Up until the 1960s, South Korean education had been geared to focus heavily on the humanities for the preparation of Confucian style examinations. As Confucian thought had a disdain for physical and technical activities, the existing education in South Korea had centred on the study of literary texts, which failed to produce sufficient technical ability in its student cohorts. For Park, the

Confucian influence on education was a social impediment for his pursuit of the HCIP. Therefore Park reoriented education policy towards the expansion of the sciences and technical education by mounting an attack on Confucian contempt for science and technology.

For this purpose Park's aides espoused Max Weber's 'sociology of religion on China' to discredit Confucianism. They attempted to establish a new spiritual foundation for Korean education equivalent to the role of Weber's protestant ethic in the rise of European capitalism in order to overcome the Confucian legacy. Furthermore, Park also tried to instil a militant anti-communism within the student populations. For this purpose, Park deployed a pseudo-Fichte's discourse, which was borrowed from the Japanese adoption of Fichte when establishing their right-wing ideology. In addition to intensifying anti-communism, Fichte thought was used to justify heavy industrialisation.

Secondly, Park incorporated 'presidential emergency measures' into the authoritarian constitution based on Schmitt theory on the pretext of overcoming the North Korean crisis. The 'presidential emergency measures' was Park's cardinal instrument to perform the HCIP and to protect his regime. Park usurped the presidential emergency measures to transform the economic institutions for mobilising financial resources to the HCI sectors. By doing so, Park formed an alliance between the state and big business to spur rapid industrialisation. Furthermore, Park used the 'presidential emergency measures' to reduce democratic militancy against his regime by reducing direct income taxes, which had substantial impacts on the formation of a conspicuous economic order and the nature of welfare capitalism in South Korea. Park's radical tax cuts had produced a distorted fiscal structure, which relied on direct tax and a chronic shortage of fiscal resources for expanding governmental expenditure. This research analyses Park's use of the emergency measure vis-à-vis economic and fiscal order, which lead to the ultimate demise of Park's dictatorship in 1979.

Finally, Park introduced the state-developed housing policies that promoted home-ownership. The thrust of the policy was to promote employees to own housing as property through state assistance. In the 1970s, rapid urbanisation had been a daunting challenge to Park. However, the government did not have enough financial resources to provide sufficient housing. In addition, as the HCIP was the cardinal priority, Park was reluctant to spend fiscal resources on housing. Therefore, Park turned to German legal legislations such as 'Land Readjustment (*Umlegung*)' and Property-Formation Policy (PFP) of postwar Germany to tackle this dilemma. Park's policy determined the structure of distribution of national assets, which fostered a middle-class determined by house-ownership not by occupation and

excluded the working class any opportunities to asset-ownership.

4. Data analysis

This research refers to primary sources like writings, speeches, and interviews of Park and his aides; and governmental documents of the USA and ROK to crosscheck them. Primary sources by Park includes: *Our nation's path: ideology of social reconstruction* (1962; 1964 in German; 1970a in English); *The country, the revolution, and I* (1963, 1970b in English); *To build a nation* (1971); and *Korea reborn: a model for development* (1978); *Speeches of President Park* compiled by Secretariat for the President (1961-1979) in Korean; *Major speeches by Korea's Park Chung Hee* (1970) in English; and *Kyöre ũi chidoja: Pak Chŏng-hŭi Taet'ongnyŏng ũi ch'ijŏk ũl chungsim ũro han Han'guk hyŏndaesa* (Nation's leader: modern history of Korea in terms of President Park Chung Hee's achievement) (1990) a posthumous collection of Park's primary sources and commentaries published by Park Geun-Hye, Park's daughter and President of South Korea (2013-).

Primary sources by Park's aides include *The Korea story: President Park Jung-hee's leadership and the Korean industrial revolution* by O, Wŏn-chŏl (2009) and *From despair to hope: economic policymaking in Korea, 1945-1979: a memoir* by Kim, Chung-yum (2013). Kim and O are regarded as one of three leading figures in South Korea's heavy industrialisation along with President Park. They are leaders of Park's cadre of bureaucrats by Kim and technocrats by O for the HCIP.

Park appointed Kim, Chung-yum as the First Chief Economic Secretary (1969-1978) to account general economic administration and O, Wŏn-chŏl as the Second Chief Economic Secretary (1971-1979) to lead the heavy industrialisation and defence industry. Kim, Chung-yum was born in Seoul in 1924. He started his career by working for Bank of *Chosen* [Japanese spelling for Korea] after graduating from Oita College of Commerce in Kyushu, Japan in 1945. In particular, he was assigned to draft a currency reforms in 1953 and 1962 (Kim, H.-y., 2004, 230-231). Kim Chung-yum is a key figure who attracted Park's interest towards the postwar German economy. Furthermore, Kim Chung-yum introduced Professor Kim Jong-in (1940-), his nephew, to be employed as one of Park's economic advisors. Kim-Jong-in obtained a PhD in economics from the University of Münster, Germany in the postwar period. Owing to his uncle's position and influence, Professor Kim Jong-in was directly influential to Park on welfare policy. Kim, Chung-yum was inspired from his study of Social Market Theory of postwar Germany, Potsdam Declaration, and Theodor Roosevelt.

During his study in Germany, he experienced the impacts of the German Social Market Economy first hand in the 1960s. In addition, Kim was guided by the spirit of the Potsdam Declaration for eliminating Nazi economic policy and the New Deal policies of President Roosevelt of the US (Kim, J.-i., 2013).

O, Wŏn-chŏl was born in Hwang-hae province, North Korea in 1923. He was a technocrat who studied chemical engineering at *Keio* Technical College, Seoul, Korea during the colonial era. After serving in the Air Force as a technical officer and being employed as a factory manager for an auto company, he was appointed as a technical officer by Park in 1961 (O, W.-c., 2009).

It is necessary to comment on some issues with the sources on Park. Most of the primary sources by Park are products of collaboration between Park and his intellectual coteries. In his promotion of Germany, Park rarely provided any reference in his writings and speeches. Hence, it is difficult to distinguish the German influences on Park by reading his primary sources. However, sources of his references are found in others publications like writings and interviews of his staff, textbooks, and government documents.

Throughout his regime, Park maintained a group of intellectual trusts whom he compensated with money and positions in the cabinet and National Assembly. Park's pool of intellectuals was more than a sop. Park often turned to them for advice or special tutoring. Sometimes Park mobilised them to promulgate his policies. Park regularly received advice and reports from scholars and journalists who assembled at the request of Park's Special Secretary. They provided summarised information to Park through a channel of the Bureau of the Presidential Secretary (Kim, C.-s., 1997, 30-31). In many cases, the intellectuals produced tailored information for the President. In most cases, the publications do not provide precise bibliographical references and information on co-authors who worked with Park and references.

Furthermore, it is commonly known that considerable primary data on Park to be kept in government archives were destroyed during the turbulent period from the abrupt assassination of Park on 26 October 1979 to another military coup on 12 December 1979. Hence, much of Park's decisions and intentions during his 18 year-regime still remain esoteric. The military governments subsequent to Park's regime (1980-1991) strictly limited access to government data. Many of Park's aides were tortured during interrogations and were monitored to prevent the revelation of sensitive issues on Park (Kim, H.-y., 2004, 192). Since the late 1990s, Park's aides had begun publishing their memoirs and have had

interviews with the media (O, W.-c., 2009; Kim, C.-y., 2011; Baek, Y.-h., 2013). These sources have common problems. Most of them rely on personal memory without providing any reliable references. Due to the time gap, they are not always accurate. In addition, they tend to exaggerate their personal performances alongside a mystification of President Park. They avoid dealing with sensitive issues on Park's darker side. Some of them most definitely gave false and distorted testimonies.

This research does not use any secondary literature published by non-academic Korean writers because most of them have abundant errors and fabrications. To alleviate these problems, this research cross-checked primary sources of Park and his coteries with other reliable sources from the USA governmental documents to obtain objective and empirical evidence. In the course of data analysis, this research eliminated much data from analysis when there were no reliable sources for cross-checking from a third party.

The US government documents provide well-informed and comprehensive information on Park. When Park emerged through a military coup in 1961, Park's past activities as a communist was reported to American policy makers. Hence, the USA had conducted an investigation into Park from the initial stage of his political emergence (USA. Central Intelligence Agency, 1961a). Furthermore, on 24 October 1976, the Washington Post reported that Park's regime had been performing illegal activities to influence the US Congress in the article 'Seoul gave millions to US officials (Washington Post, 24 October 1976). This article triggered serious repercussions in the US Congress to the extent that it established a special Committee in 1977. The Committee conducted a comprehensive investigation into Korea-US relations. This document provides comprehensive and reliable information on Park's regime. As to confidentiality of sources, 'the findings were derived from extensive review of documents and numerous interviews. Much of the material was classified... In the most instances, information was verified by other sources so that it has been possible to provide at least one specific reference... A number of the documents in Korean were translated by experts' (USA. Congress, 1978, XIV).

This research used the *Investigation of Korean-American relations. U. S.* (1977) as a key reference to validate primary sources. In addition, this research used the other US diplomatic documents to verify Park's primary sources. Several volumes of *Foreign relations of the United States* series by the USA State Department provide declassified documents compiled from a variety of sources like the USA government archive and Presidential Library.

As to Korean sources, this research mainly consulted officially published government documents to verify Park's primary sources. But much recently declassified documents of South Korean government are without much value, patchy and limited in their ability to shed any light on Park's era. This research reviewed oral interviews in a limited way in order to gather contextual meanings and to verify primary sources as this research found that many of the oral interviews were not reliable. I have contacted some of Park's aides as interviewees and informed them of my aim to verify accuracy in their previous statements. All of them refused to have interviews.

Finally, in spite of the significance of the German influence on Park, documents in German government archives are limited in value when it came to understanding the formation of Park's fictionalised Germany. From the German archive, I could not find any meaningful information on Park's reliance on Germany.

5. Literature review of the political economy under Park's regime

The literature review on Park's regime starts by commenting on the problematic trends found in previous literature on Park Chung Hee. Until the early 1990s, the South Korean government had been imposing strict restrictions on academic research topics and access to archival materials. For example, reading Marx's classical writing was a violation of National Security Law. In this political situation, Park Chung Hee becomes central in the country's modern political history as the most controversial figure. Much of existing Korean academic literature on Park divides into two antagonistic camps: pro- and anti-Park. Both camps have engaged in heated battles for their political purposes. In many cases, the quality of Korean academic writing on Park is logically poor and politically partisan. Their references are often based on unreliable sources, abundant in logical gaps, fabrications, omissions and exaggerations of significant facts on purpose or by mistake. Therefore, there are limited writings on Park which deserve mentioning.

Academic literature from Western educational institutes is not free of problems either. In particular, much of the writing by authors from the US institutions have a strong tendency to be politically biased under the influence of political funding coming from outside the schools. As Korean studies is a minor discipline in Western universities, external funding from governments and business sectors have exerted an influence on producing tailored academic research. According to US Congress investigation, Park's regime provided financial support to Korean studies in many renowned universities in the USA (USA).

Congress, 1978a). Widely cited seminal academic products on South Korea by Western scholars had a strong tendency to view the economic development of Park in a positive light. They concentrated only on the successes of South Korea without addressing the suppression of democracy, serious violation of human rights, and massive corruption (Amsden, 1989; Weiss, 1998; Evans, 1995; Chibber, 2003; Kohli, 2004).

Moreover, most of the academic writings tend to concentrate on earlier parts of Park's period in the 1960s (Horikane, 2005, 369). Although Park had presided over South Korea for 18 years from 1961 to 1979, much of the previous literature had addressed Park's economic development in a single framework. However, there is a stark transformation in the nature of South Korean socio-economics between the 1960s and the 1970s. On a political front, South Korea was nominally democratic while led by military leaders in the 1960s, in contrast to unconcealed dictatorship of the 1970s. Economically, South Korea had been reliant on the export of labour-intensive non-durables in the 1960s while authoritarianism had transformed the socio-economic fabric in its pursuit of the late industrialisation. Therefore, understanding the development of South Korea under Park's regime should be done in consideration to these differences.

Much of the research on Park is descriptive and emotional without theoretical analysis (Kim, H.-a., 2003; Horikane, 2005; Kimiya, 2011; Choi, L, 2012). In addition, research based on primary source from reliable governmental archives is rare. As to the lack of empirical reference in Korean studies, Brazinksy (2007, 3) commented that 'until the early 1990s South Korean historians faced official limitations on what they could say or write'.

Against this backdrop, this section provides critical literature on the political economy under Park's regime. First, this research distinguishes academic works of East Asian non-leftist scholars. As mentioned above, writings of these authors are generally historically descriptive. However, their better command of the regional languages provides valuable access to primary sources. Kim, H.-a. (2004) has pioneered an academic research on Park's pursuit of the HCIP. Based on interviews with Park's technocrats as primary sources, her work contributed to unraveling the leading roles of the technocrats in the HCIP. However, much of her argument accepts the arguments of Park's henchmen for the HCIP without critical review.

Horikane (2005) claimed the Park's pursuit of the HCIP was a multifaceted product of Park's long desire. Furthermore, Horikane provided accounts on the HCIP as the relations between Korea and Japan and global geopolitical significance of China's emergence.

Horikane claimed that the USA had expectations on Japan to be a regional economic leader for South Korea when the USA was planning to withdraw from the Vietnam War. However, Park could not accept Japan as an alternative to the USA, which forced him to proceed with the HCIP. Horikane mainly treated the influence of Japan's diplomatic policy on Park's regime.

Kang, S.-j. and Hyun M.-a. (2010) traced the historical origin and evolution of the Japanese Empire and the Manchurian puppet state in the wartime. In particular, they drew on the friendship between Kishi Nobusuke, a former Japanese Prime Minister, and Park Chung Hee in the period ranging from their wartime activities in Manchuria in the 1940s to their diplomatic and economic cooperation in the 1960s. This book unravelled less known aspects of the relationship between two politicians.

Kimiya (2011) addressed the influence of the Cold War on Park's transition from inward-oriented strategy to the export-oriented strategy in the early 1960s based on his doctoral research. His research mainly utilised primary sources and archive documents from the USA. But he did not review fully primary sources of Park in his discussion. Kimiya's research failed to note the interaction between Park's regime and South Korean business. Choi, L. (2012) dealt with Park's foreign policy from 1968 to 1979 in his doctoral thesis, as an addition to lengthy descriptive work.

Second, due to the political restrictions in South Korea, leftist research on Park is relatively rare and was mainly produced in Western schools. Lim, Hyun-Chin (1985) dealt with Park's era from 1963 to 1979 through the dependency theory. It was the first comprehensive academic work to adopt Marxist theory on Park's political economy. However, Lim's work is a simple application of dependency theory, which failed to produce a convincing explanation. Lim offered contradictory conclusions. In his conclusion, the dependency theory could not explain the case of South Korea because of the existence of state autonomy, the state's policy against the penetration of the multinational corporations, and the existence of well-educated talent from the influence of Confucianism (Lim, H.-c., 1985, 129-134).

Hart-Landsberg (1993) rejects dominant views on South Korea's political and economic development as a success story. Based on radical views in rejection of liberalism, Hart-Landsberg argued that the success of South Korea was a result of a unique historical development led by Japanese and American imperialism. Casting doubt on the South Korean

experience as an example of success, he critically described the negative effects on labour rights (Hart-Landsberg, 1993, 16).

Cho, H.-y. (2010) treated the mechanism of mass mobilisation in Park's regime through the state theory of Gramsci. He aimed to account for the formation of hegemony and its fissure in Park's regime. Cho claimed that Park was successful in mobilising the masses for economic development. The economic success and anti-Communism had provided Park with hegemony that underpinned his political power in the 1960s but the hegemonic fissure in Gramscian sense broke out to dismantle Park's regime in the 1970s.

However, Cho's research has focused more on explaining Gramsci's hegemony. His discussion on the formation and fissure of hegemony in Park's regime is less convincing because he did not provide enough empirical evidence. Most of his interpretation of Park's regime are politically biased and partisan. The essence of Park's dictatorship was the mobilisation of financial resources and the upgrading of human capital for the pursuit of the HCIP through suppressive state violence. Park was not so popular among the masses.

In conclusion, as to the common problems of comparative approaches to economic development during Park's regime, most Western scholars do not have the ability to understand the primary sources in the Korean language. Their poor understanding of Korean history is not sufficient to critically survey the secondary sources. In the earlier part of the twentieth century, Korea had already been, to some degree, modernised and industrialised for war mobilisation by the Imperial Japanese Empire. Moreover, South Korea was the second largest recipient of US economic and military aid in the last century. South Korea did not start from scratch. Most of the comparative research did not consider these aspects critically.

Secondly, academic literature on South Korea ignored significant contradictory factors in their adherence to theoretical frameworks, like the Weberian state autonomy, Confucian capitalism, and Marxism. Finally, in many cases, South Korea was poorly selected in comparative research with the Third World in efforts to explain the exceptional success of South Korea. South Korea was contrasted with Zaire (Evans, 1995), India (Chibber, 2003), and Indonesia (Vu, 2010). In many cases, South Korea was not correctly selected due to the lack of consideration to the exceptional circumstances of Korea.

6. Overview of chapters

Chapter II provides a theoretical framework for this research. At the outset, this research criticises the two dominant approaches used for understanding Far East Asian development:

neo-classical theory and the developmental state theory. I drew on the failure of neo-classical theory in explaining the statist interventions into economic development by its adherence to the role of the free market mechanism and the benefits from free trade. In addition, I argue that the emphasis on ‘state autonomy and strong state’ in the Weberian sense espoused by the school of the developmental state is empirically erratic. Alternatively, I deployed a theoretical framework by combining various concepts: (1) ‘elite coalition’ in face of an external threat and the lack of natural resources (2) institutionalism in overcoming the Gerschenkron and Kaldorian dilemmas, (3) flying geese regionalism in Far East Asia.

In Chapter III the research provides historical accounts on South Korea for understanding the emergence of heavy industrialisation in the 1970s ranging with focus on the modern historical settings of South Korea from the Japanese colonial era to the end of Park’s dictatorship in 1979.

Chapter IV and Chapter V address the German influence on Japan and South Korea. Chapter IV documents the indirect path of German influence on South Korea through Japan while Chapter V describes Park’s reception of the postwar German model under the name ‘Miracle on the Rhein’ during the 1960s and 1970s.

Chapter VI addresses how Park utilised Max Weber’s thesis on the role of the Protestant ethic and Fichte’s discourse on patriotic speeches to re-orientate the educational policy of South Korea and establish a priority for technical education. I discuss how the reception of Weber in South Korea springs from the influence of Japanese intellectuals’ research on Weber. By tracing Weber’s influence, this research argues that the Weberian thesis was deployed to overcome the backwardness of Confucian civilisation when it came to modernisation and to fighting against Marxian economic determinism in the context of anti-Communism. Furthermore, the Chapter VI traces the historical introduction of Fichte’s Addresses into South Korea to understand how Park stressed the thrust of Fichte to bolster the security threat in education.

Chapter VII delves into Carl Schmitt’s thoughts on ‘presidential emergency powers’ as Park’s foremost instrument in his defence of dictatorship and in pursuit of heavy industrialisation. In the first part, I provide Carl Schmitt’s espousal of presidential emergency powers and its reception by Park. Then I deal with how Park used the emergency powers to institutionally broaden the elite coalition through a fostering of big business and drastic tax reductions as ‘side payments’. Ultimately, I argue that the institutional failure of Park’s

regime in enhancing efficiency and its consequences to the distorted economic structure triggered the dissolution of Park's dictatorship.

In Chapter VIII, I address the conspicuous structure of asset distribution in South Korea by drawing on the state-led home-ownership policy. Relying on the property-owning policy of the postwar West German and German legal frameworks, Park's regime introduced housing owning policy in promotion of ownership in response to his incorporation of dictatorship and heavy industrialisation, which had a formative impact on South Korean asset distribution. Finally, Chapter IX concludes this study.

II. Theoretical framework

1. Introduction

Currently, both the ‘neo-classical’ and the ‘developmental state’ models fail to fully explain the discrepancies between their theories and the empirical realities in South Korea. However, the benefits from international trade, as it is explained by the neo-classical school, and the emphasis of the ‘developmental state’ model on institutional roles are both empirically convincing. Lacking a universal theoretical framework to explain the Far East Asian model, the World Bank, a proponent of the neo-classical view, compromised by recognising the eclectic role of institutions (World Bank, 2003).

Based on this background, this research argues that Park’s authoritarianism, focusing on technical upgrading and the national security threat, was based on the German wartime-political economy. Sasada (2008) and Mimura (2011) had pioneered academic research on the role of the military-technocrat nexus in wartime Imperial Japan as an institutional origin of the ‘developmental state’ in Far East Asia. During the war, the Japanese military recruited technocrats to run state-owned enterprises and to control *zaibatsus*, Japanese heavy industry conglomerates, with the aim of producing weapons. The military needed the abilities of technocrats as agents for implementing a planned economy and to engineer relations between the military and business. In essence, technocrats were chosen for their expertise and not from any political considerations nor from the meritocratic civil service examination system.

To understand Park’s dictatorship theoretically, this research mainly borrows from the theoretical framework of ‘systemic vulnerability’ (Doner *et al.*, 2005; Ritchie, 2010), of the capacity of institutions in the developmental state to tackle the Gerschenkronian and Kaldorian dilemmas (Waldner, 1999) and the ‘flying geese’ a Japan-lead regionalism in Far East Asia.

2. Problems of school of neo-classicalists and developmental state

As East Asia has shown a remarkable performance in economic growth from the 1960s to early 1990s, some economist have tried to explain what enabled the East Asian miracle. Currently, there are two dominant schools of Western scholars that sought to explain the rise of Far East Asia in the late twentieth century: neo-classical perspective and developmental state theory.

In order to prevent the spread of communism in the Third World following World War II, the United States sought to disseminate capitalism during the Cold War era. Neo-classical theory results from the resulting ideological conflicts of the United States and Soviet Union. Neo-classical theory was based on classical political economy. However, it advocates an auxiliary role for government in organising markets for increasing productivity. Some neo-classical theorists attempted to explain the economic rise of Far East Asia in response to failure of dependency theory in Latin America. Criticising import substitution policies and failure of economic growth in the region's states, they argued that economic growth of a less developed country can be achieved through international trade in the world economy and the adoption of the free market mechanism. Through international trade, a developing country can obtain access to natural resources, capital, technology and export markets available in the world economy. A country can benefit from more abundant resources in the global market for their economic activities for production (Frank, 1975; Westphal, 1978; Kim, K.-s., 1985; Gilpin, 1987).

Against the import-substitution industrialisation guided by dependency theory, the neo-classical perspective claimed that adoption of export-oriented strategies and the promotion of the free market mechanism in Far East Asian states had played a critical role in the elevation of their economies (Balassa, 1981). Hence, in approaching the role of the state in economic development, neo-classical political economy adherents suggest that the state in developing economies should operate within prescribed limits as:

1. The state should primarily rely on market-based, private-sector-driven initiatives in the mobilisation and allocation of resources to growth-promoting activities.
2. The state should intervene only in cases of clearly established 'market failure'.
3. Even in cases of proven market failure, the appropriate policy responses should be parametric measures as well as incentives that establish a private market.
4. The state should provide 'pure public goods' including the proper assignment and enforcement of property rights.
5. The state should provide a stable and predictable macroeconomic environment through appropriate coordination of fiscal, monetary and exchange rate policies.
6. The state should adopt a free trade regime as a core component of a neutral policy regime (Chowdhury and Islam, 1993, 45).

Neo-classical political economy seemed to have established itself as a dominant paradigm to explain economic success of East Asia. It draws its interpretation of the economic success from Japan, Taiwan, South Korea, and Singapore. They had relied primarily on private enterprise and free market mechanism to achieve economic development in contrast to Communist rivals such as Mainland China and North Korea.

However, the neo-classical perspective by nature focuses only on short-term measures for organising market and boosting productivity but lacks long-term vision for sustainable economic growth. Furthermore, it consistently ignored the empirical evidence of heavy state intervention in the markets to protect their domestic industries in Far East Asia and import-substitution policy adopted in a state-directed transition to the heavy and chemical industries in South Korea in the 1970s and 1980s (Amsden, 1989; Wade, 1990; Evans, 1995). In responses to criticism, the World Bank admitted the contribution of the 'selective intervention' of state intervention into the market although the World Bank espouses the neo-classical views to expand the Far East Asian experience into other developing economies (Lal, 1983, 87–90; World Bank, 1993, vi).

Since the 1990s, the statist approach in the name of the 'developmental state' has emerged in rejection of the perceived failure of the neo-classical perspective to explain the state-directed economy in Far East Asia (Haggard, 1990; Johnson, 1982; Wade, 1990). The thrust of 'developmental state' is that strong state intervention can contribute to economic growth through bureaucratic organisations with abilities of performing rational plan, being state-autonomous, and embedded linked with societies. The developmental state highlights the role of the state in line with institutional economics which does not see the role of institutions as supplementary but essential preconditions and determinants of growth (North, 1990).

The 'developmental state's account for Far East Asian growth springs from Chalmers Johnson who is credited with coining the concept of 'developmental state' in his pioneering publication of *MITI and the Japanese miracle* (1982). Before embarking on his academic career, Johnson served in the Korean War and Japan as a naval officer. Along with his military career, Johnson dwelt on the role of bureaucrats and the impact of military organisations on the rise of Far East Asian economic growth. Johnson conducted an archival research from classified Japanese documents to study Chinese peasant nationalism in his publication of *Peasant nationalism and communist power; the emergence of revolutionary*

China (1962). In his book, Johnson noted a role in peasant mobilisation for organisation in the rise of nationalism in China during the war. Johnson noted that the Japanese invasion awakened in the Chinese peasants the belief in the urgent need to establish organisation:

The communist's success during the war was in marked contrast to their experience in the decade preceding the war, when they first undertook seriously to organise the peasantry... The politically illiterate masses of China were awakened by the Japanese invasion and its aftermath... they [peasant] felt a heightened sensitivity to proposals for defensive organisation throughout the entire area (Johnson, 1962, 2-3).

For Johnson, the success of the Communist Party in the Chinese Civil War relied mainly on the democratic response to the security threat triggered by the Japanese invasion and the ability of the Communist Party to implement a large organisation for war mobilisation rather than Marxian class-consciousness among the Chinese peasants. Johnson continued to dwell on the relationship between militarism and governmental organisation for economic policy.

Based on his observation on Japanese industrial policy by the MITI (Ministry of International Trade and Industry) in the postwar period, Johnson located East Asian economic growth between liberal capitalism and the Stalinist command economy. He argued that the 'developmental state' as a phenomenon of the state-led 'rationally planned' economy through strong intervention by bureaucrats of the state. Johnson argued that 'the effectiveness of the developmental state requires that the bureaucracy directing economic development be protected from all but the most powerful interest groups so that it can set and achieve long-range industrial policies' (1982, 44).

Johnson articulated that the 'developmental state' originates from a response of the Japanese military to the tumult of the financial crisis of the 1920s. Japanese military emerged to overcome the crisis in rejection of liberal democracy and *laissez-faire* policy. For Johnson, the Japanese military could seize political power by their superior ability to mobilise panic-stricken people. As to the intellectual background of the developmental state, Johnson definitely but briefly referred to the German Historical School to explain the rise of bureaucracy and the planned economy in Japan as:

Japan's political economy can be located precisely in the line of descent from the German Historical School sometimes labeled 'economic nationalism,' *Handelspolitik*,

or neomercantilism; but this school is not exactly in the mainstream of economic thought in the English-speaking countries. Japan is therefore always being studied as a 'variant' of something other than what it is, and so a necessary prelude to any discussion of the developmental state must be the clarification of what it is not' (Johnson, 1982, 17).

Johnson stated that Weber's rationality contributed to the acceptance of the virtues of 'planning rationally' that legitimises economic planning. Japan in the late nineteenth century adopted for its new political system a version of what Weber called 'monarchic constitutionalism', the form of government that Bismarck gave to imperial Germany (Johnson, 1982, 36-37).

In particular Johnson drew on the rise of bureaucrats who played roles of 'a pilot planning agency' in generating rational economic planning and guiding economic policies of East Asian developmental states such as MITI in Japan and EPB in South Korea (Johnson, 1987). Johnson distinguished "plan rational" of Japan whereas a regulatory state is "market rational" in contrast to "plan ideological" in a Soviet-type planned economy. According to Johnson, the greater degree of state intervention through government bureaucracy in the developmental state could contribute to economic growth (Johnson, 1982, 20-21). With regard to Johnson's work, Bruce Cumings, a leading American scholar on modern Korean history, pinpointed that Johnson's reference to the German Historical School and Max Weber was right. According to Cumings, the virtue of Johnson's analysis is to suggest that:

Planning can be as 'rational' as market allocation, or more so. The vice is, once again, the aura of reification and righteousness surrounding the term 'rational'. But that is not surprising, because the real German lineage that Johnson asserts is from the Max Weber to MITI. Modern bureaucracy for Weber is 'the most rational and impersonal from state administration' (Cumings, 1999b, 64).

Based on Johnson's works (1982; 1987), the 'developmental state' had established a basis for understanding the statist paradigm in former parts of Japan's colony by focussing on state guidance in economic policies led by the state planning agency (Johnson, 1987; Amsden, 1989; Öniş, 1991; Wade, 1990; Evans, 1995; Woo-Cumings, 1999). Amsden (1989) dealt with the industrialisation of South Korea in the 1970s. Drawing on Gerschenkron, she defined the industrialisation of South Korea as 'late-late-late' industrialisation: Germany as

late industrialisation and Japan as 'late-late' industrialisation. In particular, focusing on the HCIP in the 1970s, Amsden sought to understand the development of South Korea during Park's regime by applying a developmental state's framework. Amsden stressed that the high-performance of South Korea was a product of state intervention that resulted in higher and more equal growth. Amsden stated that Park's economic rationale was 'thought of as comprising two interrelated dimensions: (a) penalising poor performers; and (b) rewarding only good ones' (Amsden, 1989, 15).

Adopting Johnson's focus on statist and rational economic planning, scholars of developmental state had coined 'state autonomy' to explain the immunity of East Asian states from the political demand from society in contrast to failure of economic growth in the Third World outside the East Asia in the 1990s.

According to a review by Selwyn (2009), some Western social scientists dealt with the catch-up development of South Korea by basing it on Listian framework and Weber's concepts of 'state autonomy'. In particular, they dwelt on Max Weber's view on the Confucian culture which Weber considered a major obstacle to economic development (Evans, 1995; Weiss, 1998; Kohli, 2004; Kim, Y.-t., 2007, 37-45). They turned to contemporary debates on 'relative autonomus state' to explain the successful roles institutions and strong state in East Asian states for economic growth. They contrasted the nature of Park's bureaucracy with President Rhee's regime (1948-1960) in South Korea in the 1950s. They claimed that the high ratio of recruitment from meritocratic bureaucrats and military officers in his new state-institutions enabled the state to re-gain its autonomy by bolstering an autonomous and cohesive state-bureaucracy.

Peter Evans (1995) advocated the Weberian statist theory on Park's economic development. However, Evans argued that the Weberian state autonomy is not enough. Hence he constructed the concept of 'embedded autonomy' which implied the existence of 'policy networks' linking government and industry (Weiss, 1995, 600). In his empirical research on comparative research on the information and communication industries, Evans drew on South Korea to illustrate how bureaucracy can focus on the interests of society and stay immune to lobbies and the influence of powerful 'rent seeking' groups. Evans characterised Park's regime as a 'developmental state' in the 1960s and 1970s in contrast to President Rhee's 'predatory state' regime in the 1950s (Evans, 1995, 12).

Evans claimed that Park's regime was a prototype of the developmental state with 'embedded autonomy' whereas South Korea in the 1950s was a predatory state. Evans asserted that the developmental state arises when its bureaucracy is free from manipulation

and influence by powerful rent-seeking groups outside the state and when the bureaucrat can remain embedded insofar as it can maintain close ties with prevailing influences in society. Evans drew on South Korea to illustrate how bureaucracy can focus on the interests of society and stay immune to lobbies and powerful rent-seeking groups. Evans accentuated the social network and structure as a condition for state autonomy in an economy of extensive state-intervention:

Predatory states lack the ability to prevent individual incumbents from pursuing their own goals. Personal ties are the only source of cohesion, and individual maximisation takes precedence over pursuit of collective goals. Ties to society are ties to individual incumbents, not connections between constituencies and the state as an organisation. Predatory states are, in short, characterised by a dearth of bureaucracy as Weber defined it (Evans, 1995, 12).

In contrast, Evans claimed that a state becomes a predatory or weak state if it is influenced by rent seeking groups. Evans contrasted Park's regime as being a 'developmental state' with President Rhee's regime as being a 'predatory state' in his explanation of 'embedded autonomy':

The character of bureaucratic appointment and promotion under Rhee was, of course, quite consistent with the character of his regime... Rhee's regime was more predatory than developmental. Rhee's dependence on private-sector donations to finance his political dominance made him dependent on clientelistic ties with individual businesspeople; not surprisingly, 'rent-seeking activities were rampant and systematic... The junior [military] officers involved in the coup led by Park Chung Hee were united by both reformist convictions and close interpersonal ties based on service experience and close... network ties originating in the military academy. The super-imposition of this new brand of organisational solidarity sometimes undercut the civilian state bureaucracy as military men were put in top posts, but in general the military used the leverage provided by their own corporate solidarity to strengthen that of the bureaucracy rather than to weaken it (Evans, 1995, 52).

Accepting Evan's account on the role of cohesive bureaucracy, Linda Weiss (1998) argued that more conditions were needed to analyse the state's role in South Korea. Based on

Evan's state autonomy as an insulated bureaucracy and embedded network, she coined a 'governed interdependence', an institutional arrangement that gave the ability to Far East Asian societies to socialise risk and thereby coordinate changes across a broad array of both private and public organisations. She defined the risks to be socialised as: (1) raising capital; (2) developing new products and technologies; (3) finding new markets; and (4) training new skilled engineers and workers. Weiss proposed that the ability of Far East Asian firms and industries from the 'system nurtured by public policies, which institutionalised a dynamic response from industry' in socialising risk and thereby coordinating 'change across a broad array of organisations' (Weiss, 1995, 594). In particular, as to the case of Park's regime, she juxtaposed factors for Park's success with (1) high-quality bureaucrats, (2) intelligence-gathering infrastructure, (3) insulated pilot agencies and policy coordination (Weiss, 1998, 49-54).

Vivek Chibber (2003) had dealt with the role of bureaucrats in pursuit of industrialisation by comparing India and South Korea. Chibber stated that both countries had strong bureaucrats that played leading roles in industrialisation. However, Chibber argued that the internal cohesiveness of bureaucrats through Weberian meritocracy and personal networks in society was a critical factor that produced vastly different results. For Chibber, 'the Indian state was paralyzed and fragmented, while its Korean counterpart did secure the requisite internal coherence (Chibber, 2002, 951).

Chibber's argument was reiterated by Kohli (1994; 2004) and Kriekhaus (2006). Kohli (2004) all of whom argued that South Korea was a 'cohesive-capitalist' state which had been most effective at promoting industrialisation in contrast to ineffective 'neo-patrimonial states'. Kohli argued that 'cohesive-capitalist' was a product of Japanese colonial rule but South Korea remained a 'neo-patrimonial state' under Rhee's regime (Kohli, 1994).

According to Kohli, the emergence of Park had revived 'cohesive-capitalism' by replacing civilian men by younger military men in their thirties and forties in state-bureaucracy. They were in admiration of the Japanese wartime model through their firsthand experience of the Japanese colonial state as a 'cohesive-capitalist state' (Kohli, 2004, 87). Characterising Rhee's period in the 1950s as a failure of '*laissez-faire*', Kohli argued that the reconstructed bureaucracy in Park's regime was a continuation of the Japanese model. Park had 'grafted the powerful growth-oriented bureaucratic structure of the Japanese colonial era onto the Korean political structure'. For Kohli, Park had produced his bureaucrats based around patrons and factionalism which may look like 'an ideal-typical Weberian

bureaucracy' by putting 'many of his military associates in charge of important bureaus and ministries, especially the economic ones' (Kohli, 2004, 90-91).

Kohli expanded the countries for analysis in comparative perspectives. In addition to the bilateral comparison between India and Korea by Chibber, Kohli analysed four countries - South Korea, Brazil, India, and Nigeria - during the twentieth century by focusing on both patterns of state construction and patterns of state intervention aimed at promoting industrialisation. Kohli categorised countries as: cohesive-capitalist, which includes South Korea and partially Brazil; fragmented-multiclass, which includes India and also partially Brazil, and neo-patrimonial with Nigeria as its representative. He argued that cohesive-capitalist states have been most effective at promoting industrialisation and neo-patrimonial states as the least (Kohli, 2004). Kriekhaus was also indebted to Kohli for claiming that Japan's colonial rule and the US occupation transformed South Korea into a strong state with autonomy and human capital (Kriekhaus, 2006).

However, the assumption of the existence of state autonomy and cohesive elite during Park's regime has critical errors. Their arguments are not based on reliable empirical and primary sources in South Korea. These adherents to Weberian state autonomy originate from Evans's citation of a single secondary source by Kim, Byung-kook's doctoral research on South Korea and Mexico in a comparative perspective (Kim, B-k., 1987; Evans, 1995, 51-52). Kim claimed that Korean bureaucracy during Park's regimes in the 1960s were mainly recruited through institutionalised exam-based civil service recruitment, which had created incentives for 'the best and the brightest' to consider bureaucratic careers while bureaucratic recruitment of Rhee's regime in the 1970s was based on a political consideration. Kim argued that higher ratio of recruitment of bureaucrats through civil service examinations under Park's regime had produced 'state autonomy' (Kim, B.-k., 1987).

However, Kim's espousal of the recruitment of the 'best and the brightest' during Park's regime has a logical and empirical error. The 'best and the brightest' was a title of a book by journalist David Halberstam (1972), in which he critically dealt with the origins and consequences of the Vietnam War with a focus on foreign policy as the child of academics and intellectuals in Kennedy's administration. Kim exaggerated the low ratio of recruitment of bureaucracy through meritocratic examinations in Rhee's regime as a causal relationship to bureaucratic corruption in the 1950s. Contradicting Kim's arguments, both Rhee and Park had a corrupt bureaucracy. Throughout the modern history of South Korea, bureaucratic corruption had been a notorious social problem in spite of meritocratic recruitment. While the Chosŏn dynasty had recruited their bureaucrats through meritocratic examinations for 500

years, it nonetheless had a predatory and corrupt bureaucracy. Empirically, the meritocratic examinations did not have any real effect on the formation of autonomous bureaucrats free from corruption in the history of Korea. Furthermore, there is abundant reliable literature on the corruption of South Korea. In *Challenging corruption in Asia: case studies and a framework for action* published by the World Bank (2004), one chapter is devoted to the case of South Korean corruption:

Corruption in Korea has remained one of the primary obstacles to socioeconomic development and Koreans want more effective and decisive government measures against corruption than ever before... Korea achieved the ‘miracle’ on the Han River out of the rubble of war in a short span of 40 years. The authoritarian state planned and managed this condensed development, and in the process it took total control of resource allocation. But there was a trade off. The state control of the market led to collusion between those with political power and the economic elite. To make things worse, the past governments - lacking political legitimacy and popular support - relied on illicit funds and docile bureaucrats to stay in power. Rampant state capture and bureaucratic corruption were the inevitable results (Bhargava and Bolongaita, 2004, 135).

Moreover, civilian disobedience to authoritarianism in South Korea mainly resulted from their opposition to repressive policies and high corruption in Park’s regime (Clifford, 1998; Kim, S-k., 2007, 59). According to David Kang (2004), the extensive money politics including corruption and cronyism has been commonly known in South Korea throughout the post-independence era. Kang stated that:

Focusing on the exchange of favours for bribes between state and business, I argue that politics drove policy choices that bureaucrats were not autonomous from political interference in setting policy, and that business and political elites wrestled with each other over who would reap the rents to be had. Even in Korea, corruption was far greater than the conventional wisdom allows - so rampant was corruption that we cannot dismiss it; rather, we need to explain it (Kang, D., 2004).

Moran (1988) stated that ‘it is evident that high, even astronomical levels of corruption have coexisted with rapid economic growth, any thorough analysis of corruption

has been largely missing from the literature on Far East Asian economic growth'. As to this, Moran commented that 'many of the classic works on Korean industrialisation from both left and right rely in large part on Weberian or Confucian notions of a rational, detached/autonomous bureaucracy implementing nationalistic developmental plans'. They glossed over the contradictory evidence by claiming that 'if corruption existed it was with the political elites who took large kickbacks but left the bureaucrats a free hand' (Moran, 1998, 161- 162).

Empirically, during Park's regime in the 1960s, there was a huge increase in recruitment of retired military officers for governmental positions. However, technocrats played the leading role in the state-led growth rather than the increase in bureaucrats recruited from through the Civil Service Examinations and retired military officers. As to the significantly increasing role of technocrats in Far East Asia during the postwar period, Wade argued that 'the military began to lose influence in the state as a whole, while the economic technocrats gained' as the military had to rely on economic decision-making by technocrats in pursuit of increasing industrialisation (Wade, 1990, 96). As to the case of South Korea, Jones *et al.* stated that President Rhee ignored technocrats but the technocrats played a pivotal role under Park's direct control in the 1970s. In the principal-agent relationship, the bureaucrats (agent) played a marginal role, subjugated by politics (principal) during Park's regime (Jones *et al.*, 1990, 168). Kim, H.-a. (2004) also foregrounded the role of technocrat as 'Park chose big conglomerates, as his industrial partners, and technocrats rather than economic bureaucrats as his policy advisers. The engineering approach thus was adopted by Korean technocrats for industrial development, especially heavy and chemical industrialisation (HCI) in the 1970s' (Kim, H.-a., 2004, 2). According to O, W.-c., a leading technocrat for the HCIP under Park, Park had strong preference for working with technocrats and Park also indentified himself with being a technocrat due to his military career as an artillery officer and his lecturing career in ballistics at the Korean Military Academy (O, W.-c., 2009). According to the numerous USA governmental documents and academic research, in the 1960s, Park's regimes remain alienated from important political groups and underwent severe factional strife between the senior officers and the younger groups within the military junta (USA. Central Intelligence Agency, 1962b, 1-3; Kim, S.-j., 1971; Ma, S.-y., 2000; Vu, 2010). Although Park attempted to maintain unity in the military junta and arbiter a compromise among the contending factions, Park's plans for compromise did not work well (Ma, S.-y., 2000, 181).

Finally, to comment on debates that deal with features of developmental state of South Korea, they drew on a necessary condition for economic development as follows (List-Jensen, 2008, 5-6): (1) suppression of consumption and effective mass mobilization for industrialization (World Bank, 1996), (2) technocratic rationality (in *dirigiste* manners) (Pirie, 2005), (3) insulation from pressures by different social interests and policy consistency (Shin, J.-s. and H.-j. Chang, 2003), and (4) developmental ideology as ‘to overcome Korea’s backwardness and catch up with the advanced countries’ (Johnson, 1999)..

Finally, recent research on South Korean developmental state addresses the relevances of democratization and globalization with the decline of developmental state and Marxist’ view on the statist approaches. Minns (2001) argued that the South Korean economic ‘miracle’ was based on the ability of the state to implement a strongly developmental policy. He accepted the existing expositions of the developmental state. He claimed that South Korean state was insulated from demands from social classes to diverted it from the objective of industrialisation. This trajectory has put state in a dominant position in relation to these classes. But he argued that, with the process of industrialisation, the state’s insulation and dominance became weakened to produce overall effect of a retreat of the state and an end to a developmental policy (Minns, 2001).

Vu (2005) answered question on reasons for the emergence of developmental state in South Korea in comparison with Indonesia. He argued that that intraelite and elite-mass interactions played the primary roles in raising the developmental state.

Pirie (2008) declared a demise of the developmental state in South Korea. He claimed that, since the end 1970s, Korean policymakers have been attempting a transition towards a neoliberal state form. According to Pirie, South Korea actively seeks to promote the market mechanism in overall economic policies. He ultimately has articulated reform of South Korea as successful establishment of neoliberalism. Chang D.-o. (2009) provides a critical reading of the formation of the Korean developmental state from the perspective of Marxist state theory in forming the capital relation. While criticising statist accounts of a state standing above society as an illusion, he was unhappy with traditional Marxist state theory. He therefore turned to the debate on state by German Derivation School in the 1970s and 1980s. He argued that the meaning of modern capitalist state lies within the totality of capitalism being subordinate to capital relations. In his analysis of South Korea, he is skeptical on the neutral and unbiased role of state to deal with issues of capital-class relation.

Hundt (2009) addressed the developmental alliance of South Korea critically arguing that existing literature on Korea has underestimated the power of business groups in neoliberals' emphasis on market mechanism and statist's accentuation on state. His study has argued that a variety of contextual variables help understand the dynamics of the process of economic development as a whole rather than biased focus on the role of the state. Lim, H.-r. (2009; 2010) has analysed how the characteristics of developmental states had changed in the reform process using the coalition theory of policy reform. She found that the relationships among politicians, bureaucrats and interest groups have been altered so that interest groups' power has been strengthened compared to the declining autonomy and efficiency of bureaucrats. However, she added that the state still plays an important role in planning, implementing and sustaining economic reform as a part of legacies of developmental state.

3. Systemic vulnerability

Dissatisfied with 'state autonomy' held by conventional accounts for the 'developmental states', this research adopts 'systemic vulnerability' concepts coined by Doner, R., B. Ritchie, and D. Slater (2005). They argued that the Far East Asian developmental state actually emerged from the challenges of delivering (1) 'side payments' to restive popular sectors under conditions of (2) 'extreme geopolitical insecurity' and (3) 'severe resource constraints'.

This research tracks an earlier discussion on 'extreme geopolitical insecurity' in 'systemic vulnerability' to Otto Hintze's inspiration to new-historical institutionalism of American scholars in the 1970s. An English translation of the work of Otto Hintze (1860-1940), *The historical essays of Otto Hintze* (1975), had inspired a rise of the historical institutionalism in America (Amenta, 2005). American scholars understood better Weber's 'autonomous bureaucracy' under a state as a 'monopoly on the legitimate use of physical force' by reading Hintze's thesis on the impact of the military in state formation when he interpreted 'all state organisation as originally military organisation', which aroused structural interests (Hintze, 1975, 181; Amenta, 2005, 97).

The German historian Hintze grouped political structures of modern European states into two main categories: 'absolutist government with bureaucratic administration on the continent and parliamentary government with non-bureaucratic administration through local notables in England' (Ertman, 2005, 368-369). Hintze argued that the origins of these divergent outcomes between continental Europe and England springs from 'compelling political imperatives on the continent *Auf dem Kontinent zwingende politische*

Notwendigkeiten obwalteten'. Hintze stated that the existence of a security threat from strong military forces of neighbouring states led to the development of militarism, absolutism and bureaucracy, whereas England was protected by the seas from such a sway. (Hintze, 1970, p 428). According to Hintze, the threat of war from neighbouring armies forced the continental rulers to establish centralised government underpinned by bureaucracies in rejection of the parliamentary system. In contrast, owing to the role of the Channel as a natural barrier to foreign invasion, England resisted from the military imperatives of any neighbouring state. Hence, England could develop less centralised parliamentary system and liberalism.

As to 'side payments', Waldner (1999) provided initial insights through the lens of elite conflicts. He used levels of elite conflict to understand the relationship between state building and late development through institutional analysis. His hypothesis was that 'levels of elite conflict determined whether state transformation occurred simultaneously with or before popular incorporation' (Waldner, 1999, 3). In his arguments, the power elites form a different type of coalition as to the relationship between the state and the economy in the industrialisation process. If the ruling elites are cohesive enough to have low level of conflict, they can maintain a narrow political coalition. On the other hand, if there is an intensive conflict and a high level of differences among the political elites, they will have to broaden coalitions across class to involve the popular classes. A narrow coalition costs less to maintain power while a broad coalition costs more and forces the government to provide 'side payments', a social welfare. Hence, a broad-based coalition results in a 'precocious Keynesian state' coined by Waldner and characterised by cross-class alliance, and industrialisation, which ultimately leads to economic policies that retards economic growth. In contrast, a narrow coalition leads to the developmental state, which directs resources toward targeted sectors of the economy that produce higher rates of return (Waldner, 1999, 1-19).

Based on his hypothesis, Waldner addressed state building and late development by comparing four states including Turkey, Syria, South Korea, and Taiwan by categorising two groups: (1) the Syrian and Turkish examples as having 'high levels of elite conflict' and (2) South Korea and Taiwan as having 'low levels of elite conflict' (Waldner, 1999, 8). In Syria and Turkey, elites embarked on state building under conditions of intense elite conflict that hindered the ability to compromise. In these two states, 'the elite conflict was resolved only when the elite mobilised popular sector support as a means of providing a social base for vanquishing their opponents and consolidating their rule'. Against this backdrop, the precocious Keynesian state emerged in Syria and Turkey (Waldner, 1999, 3). In contrast,

Waldner stated that the elites in South Korea and Taiwan were cohesive enough to compromise with ease. In particular, South Korea was marching towards the path of Syria in the early 1960s. But Waldner claimed that the emergence of President Park had eliminated incentives for meeting the immediate needs of the popular-sector for political consolidation. Park and his elites committed themselves to long-term needs of economic development through the institutional approach (Waldner, 1999, 4).

Furthermore Waldner specified the institutional roles in resolving what he called ‘Gerschenkronian’ and ‘Kaldorian’ collective dilemmas in pursuit of economic growth. The former refers to ‘problems of capital accumulation’ for ‘new investments and the expansion of industrial production or extensive growth’ as a mobilisation of investment in order to catch-up due to late industrialisation; the latter refers to ‘problems of enhancing efficiency and achieving international competitiveness’ and aiming for ‘intensive growth’ (Waldner, 1999, 154). According to Waldner, developmental states are better able to overcome both Gerschenkronian and Kaldorian collective dilemmas than ‘precocious Keynesian states’. Waldner also made critical errors in his account of elite compromise from elite cohesiveness. Alongside many questions on his hypothesis, his grouping of South Korea as a country with low level of elite conflict is empirically wrong.

Inspired by Waldner (1999), Doner *et al.* saw inter-elite conflicts for political power as a reason for the expansion of the ruling coalition. Doner *et al.* referred to ‘side payments’ as a payment to popular sectors in return for accepting political marginalisation through economic institutions (Doner *et al.*, 2005, 331). They argued that the political origins of developmental states can be located in the conditions of ‘systemic vulnerability’ resulting from the simultaneous interplay of three separate constraints: (1) broad coalitional commitments, (2) scarce resource endowments, and (3) severe security threats. To maintain political power, any ruler should overcome these constraints by improving institutional performance (Doner *et al.*, 2005, 329).

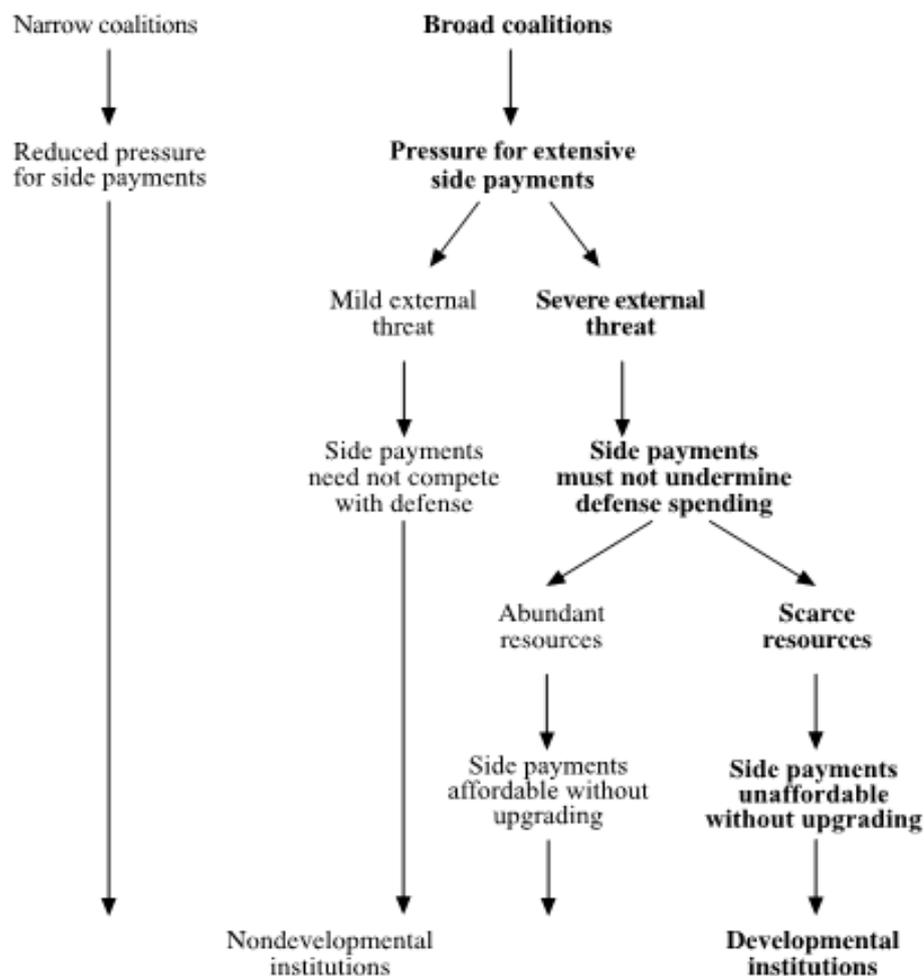


Figure II-1 Argument flow from systemic vulnerability
 (Doner *et al.*, 2005, 330).

Based on their assumption on the interaction between political responses and the three constraints, their causal logic works as follows: To survive politically, leaders seek to form coalitions, which leaders generally try to keep as narrow as possible. However, ruling elites in confrontation to pressure such as intense social conflict or danger from disruptive mass mobilisation become forced to enlarge coalitions beyond their initial ‘minimum winning’ size.

To accomplish broad coalitions, ‘side payments’ to popular sectors in a wide cross-section of society are required. This is done most efficiently through the provision of public goods such as (1) ‘the expansion of education and training infrastructure’ to be dealt with in Chapter VI, (2) ‘the reallocation of resources in ways that improve equality and access to power’ in Chapter VII, and (3) ‘public housing and welfare redistribution’ in Chapter VIII (Bueno de Mesquita *et al.*, 2003).

But provision of the ‘side payments’ to the public is subjected to severe budget constraints. In particular, if a state under a strong external threat does not have abundant resources to cover the ‘side payments’, the political leaders should upgrade their industries by establishing developmental institutions. In other words, the systemic vulnerability forces political leaders to abandon low-wage-based export growth and establish developmental institutions for the purpose of sustained growth based on higher-skill and quality-based export. Developmental states rise as a response by the elite to popular pressures in such cases. The key to the Far East Asian economic institutions lies in how popular sectors have been compensated for their political marginalisation (Doner *et al.*, 2005, 331).

They regarded that the Korean ruling elites did not have abundant revenue sources to ‘buy popular quiescence with massive government spending programs’. Park and his military officers could dare to ‘break the bank’ to appease the militancy of popular sectors against the military regime. However, in the face of a state relying excessively on uncertain flows of US aid for its viability, Park was forced to provide ‘a necessary political impetus for ruling elites to craft side payments with a broad impact, but at a low cost rather than by subsidies’. Hence, in South Korea, side payments took the form of ‘wealth-sharing mechanisms’ and expansion of primary education for increasing individual mobility (Doner *et al.*, 2005, 342).

However, the poor resource endowment of Korea may have been beneficial in kicking off industrialisation because it was free from the resource curse. Aunty claimed that South Korea may have been more dynamic than resource-abundant countries. For Aunty, the ‘staple trap model’ denotes that ‘the longer dependence of resource-abundant countries on commodity exports retards competitive industrialisation’. The staple trap could occur in resource abundant countries (Aunty, 2002, 246). Hence, Aunty claimed that South Korea was free from distortions of the staple trap’, allowing it to embark on a smooth industrialisation (Aunty, 2002, 252).

Finally, Doner *et al.* claimed that the security threat had a substantial influence on coalitional breadth and participation. War or external threats are a critical factor. However, it depends critically on the ability of the state to ‘meet the financial challenges of war’ (Doner *et al.*, 2005, 339).

Among three authors, Brian Ritchie developed the original discussion of 2005 into a single book *Systemic vulnerability and sustainable economic growth* (Ritchie, 2010). This book focuses on the origins of institutions that facilitate the capacities needed for improving technical intellectual capital. In particular, Ritchie focused his analysis on the education and

training systems as he regarded that knowledge and innovation were so critical to long - term economic upgrading' in developing countries (Ritchie, 2010, xii).

As to the reasons for institutionalising the role of education for producing technical intellectuals, Ritchie claimed that there are three collective dilemmas in education. First, establishing an educational infrastructure means meeting the challenges of overcoming a massive investment cost with a delayed pay-off. Only a government can deal with these financing challenges. Second, a problem of positive externalities arises if all firms were to train specialised skilled in an environment of high labour mobility. If a state has high mobility in its labour market, workforces with specialised skills trained by firms become easy targets for scouting and recruiting by competing firms and firms become reluctant to invest in training. Finally, education and training will have little impact if there is no demand for the skills once they are created. Demand is best fostered when firms conduct innovation (Ritchie, 2010, 5-6).

Hence, Ritchie distinguished two aspects in the nature of education and training: (1) 'political priorities' in low ruling coalitions and (2) 'economic technology priorities' in high ruling coalitions (Ritchie, 2010, 28-33). Ritchie's theory accounts well for Park's pursuit of heavy industrialisation and his education reform aimed at producing more technical talent. To prolong his office beyond the constitutional limit, Park had to broaden the political coalition with big business with the goal of upgrading the Korean economy, the pretext being the survival of South Korea from the communist security threat. In confronting the issues of low natural resource endowment and the antagonistic behavior of North Korea, Park embarked on reforming the educational and training systems by gearing them towards science and technology while emphasising the need for South Korea to survive against the security threat.

4. Gerschenkron: capital accumulation for late comer's industrialisation

Friedrich List (1909) is credited with his pioneering contributions to the issue of late industrialisation in the nineteenth century. List opposed the promotion of free trade policies by English liberalism because the industries in the late comers are trapped in the predicament where they can be exploited by advanced countries. However, some scholars claimed that the 'lateness' could become an advantage if the state successfully plays an entrepreneurial role in avoiding the 'penalty for taking the lead' and benefiting from the 'merits of borrowing' based on their observation of late industrialisations in Germany, Russia, and Japan (Veblen, 1915; Trotsky, 1932; Norman, 1948; Lockwood, 1954).

In *Imperial Germany and the industrial revolution* (1915), Veblen argued that Germany had overcome the huge gap between Great Britain and Germany by the time of the First World War. Veblen stressed that ‘the German system differs from that of other modern countries in being of a somewhat more coercive character, comprising a larger measure of authority and a smaller measure of popular self-direction’ (Veblen, 1932, 222).

As to Japan, American scholars like Norman (1948) and Lockwood (1954) claimed that Japanese industrialisation was characterised by close interactions between the state and the market with the state playing an entrepreneurial role. In particular, Japan was the regional leader in industrialisation and adopted the economic strategy of finding ‘short-cuts’ in their transition from feudal backwardness to a modern state (Gao, 1987, pp .283-284).

As to the late industrialisation of communist states, Leon Trotsky offered a concept of uneven and combined development and the benefits to backwardness. Trotsky regarded the Marxist theory of history (primitive communism, slavery, feudalism, capitalism, socialism) as being crude (Selwyn, 2011, 423-424). For Trotsky, being a late arrival in the world capitalist system could bring about potential advantages:

A backward country assimilates the material and intellectual conquests of the advanced countries. But this does not mean that it follows them slavishly, reproduces all the stages of their past... Although compelled to follow after the advanced countries, a backward country does not take things in the same order. The privilege of historic backwardness - and such a privilege exists - permits, or rather compels, the adoption of whatever is ready in advance of any specified date, skipping a whole series of intermediate stages... The European colonists in America did not begin history all over again from the beginning. The fact that Germany and the United States have now economically outstripped England was made possible by the very backwardness of their capitalist development... On the other hand, the conservative anarchy in the British coal industry... is a paying-up for the past when England played too long the role of capitalist pathfinder. The development of historically backward nations leads necessarily to a peculiar combination of different stages in the historic process. Their development as a whole acquires a planless, complex, combined character (Trotsky, 1932, 4).

In his investigation in the role of the state in the Russian revolution of 1917, Trotsky labeled as the law of ‘combined development’ when a country had the peculiar mixture of

backward elements and very modern factors. According to Trotsky, the essence of the 1917 revolution was that the Soviet state merged completely different historic species together: ‘a peasant war, a movement characteristic of the dawn of bourgeois development’ and ‘a proletarian insurrection, the movement signalling its decline’ (Trotsky, 1932, 38).

After Trotsky, Alexander Gerschenkron (1904-1978) stands out as one of the most significant theorists of statist development when it came to overcoming backwardness. Based on his observation of industrialisation in European countries in the nineteenth century and early twentieth century, Gerschenkron stressed the institutional roles played by government agencies and banks in supplying capital to nascent industries in countries that are economically behind. Gerschenkron contended that latecomers may have a much easier time learning and using technologies which are already in use in advanced countries rather than innovating them from scratch. Economic ‘backwardness’ can be credited with providing an analytical schema to understand patterns of late industrialisation based on his observation of industrialisation of continental European states during the late nineteenth century (Gerschenkron, 1962).

Gerschenkron started his analysis by arguing that there existed social and technological gaps between the states. In Gerschenkron’s backwardness, a country undergoing late industrialisation will show a ‘considerable differences compared to more advanced countries’ depending on its degree of economic backwardness’:

It is the main proposition of this essay that in a number of important historical instances industrialisation processes, when launched at length in a backward country showed considerable differences, as compared with more advanced countries, not only with regard to the speed of the development but also with regard to the productivity and organisational structures of industry which emerged from those processes (Gerschenkron, 1962, 6-7).

According to Gerschenkron, the different character of late industrialisation creates ‘little or no counterpart in an established industrial country’ along with a different ‘spirit’ and ‘ideology’. Furthermore, Gerschenkron stated that the ‘degree of backwardness’ and ‘the natural industrial potentialities of the countries’ determine the extent of the individual attributes of the backwardness. Gerschenkron critiqued Rostow’s view of stages of economic growth because it does not differentiate social conditions between forerunners and latecomers. For Gerschenkron, latecomers are confronted with a lack of minimum capital needs for an

industrialising economy, a minimum size for the individual industrial firm and the availability of technology (Gerschenkron, 1962, 35). Gerschenkron stressed 'prerequisites' for growth spurts in latecomers in contrast to that of forerunners.

However, Gerschenkron claimed that economical backwardness in certain circumstances becomes advantageous for latecomers when overcoming the missing prerequisites. Latecomers can benefit from the knowledge and know-how of advanced countries. If a backward country adopts the proper strategy for leaping over the gap in competitive advantage, late industrialisation would be rewarded with rapid growth. For this purpose, Gerschenkron drew on the role of institutions. Hence the thrust of Gerschenkron's analysis is that how the latecomers could tackle the missing prerequisites through an institutional response. Gerschenkron studied the role of institutions in latecomer economies such as Germany and Russia from their historical experience of catching-up with England, the forerunner. Gerschenkron noted that banks in England and continental Europe had different characteristics. Exploring the different ways continental and English banks channeled funds, Gerschenkron saw that a late starter would require institutions to raise and channel funds into industry. British banks had developed in tandem with business mainly through the supply of short-term credit without much of the long term loans for capital projects which was the norm for banks in latecomer economies. The flow of finance to industry differed greatly depending on the level of development:

The industrialisation of banking of England had proceeded without any substantial utilisation of banking for long-term investment purposes... By contrast, in a relatively backward country capital is scarce and diffused, the distrust of industrial activities is considerable, and, finally, there is a great pressure for bigness for because of the scope of the industrialisation movement, the larger size of plant, and the concentration of industrialisation processes on branches of relatively high ratios of capital to output. To these should be added the scarcity of entrepreneurial talent in the backward country (Gerschenkron, 1962, 14).

In the case of Russia, the state substituted the role of German banks in investment in industry. Gerschenkron noted that nineteenth century Russia was unable to build up an effective system of long-term bank credit because Russia was a country where 'the standards of commercial honesty had been slow and where economic, and particular mercantile, activities and deceit were regarded as inseparably connected' (Gerschenkron, 1962, 47).

	Britain	Germany	Russia
Timing of entry	– late-18c – forerunner	– mid-19c – moderately backward	– late-19c – extremely backward
Spearheading institutions	– individual entrepreneurs – banks providing operating capital	– universal banks	– state
Functional patterns	– gradual accumulation of capital – less organised	– mobilising resources through banking system and concentrate them on heavy industries – ‘bigger and bigger’ plants	– coercive mobilisation of resources and focus on heavy industries – still ‘bigger and bigger’ plants

Figure II-2 Gerschenkron’s ‘patterns of industrialisation’

(Shin, J.-s. and H.-j. Chang, 2003, 9).

In these circumstances, the government became engaged by releasing credit to targeted industries. In Gerschenkron’s observation, the emergence of institutional responses in latecomers tended to play a role in mobilising resources and allocating them to capital-intensive-sectors in order to overcome the technological gap. Gerschenkron compressed his theories into an outline in six propositions:

1. An industrialisation that starts discontinuously is more likely to develop as a sudden growth spurt proceeding at a relatively high rate of growth of manufacturing output
2. The more backward a country’s economy, the more pronounced was the stress in industrialisation on the size of both plant and enterprise
3. The more backward a country’s economy, the greater the stress on producers’ goods compared to consumer’s goods.
4. The more backward a country’s economy, the heavier the pressure on the levels of consumption of the population
5. The more backward a country’s economy, the greater the part played by special institutional factors designed to increase the supply of capital to the nascent industries and, in addition, to provide them with less decentralised and better-informed

entrepreneurial guidance; the more backward the country, the more pronounced was the coerciveness and comprehensiveness of those factors

6. The more backward a country's economy, the less likely agriculture to play any active role by offering to the growing industries the advantages of an expanding industrial market based in turn on the rising productivity of agricultural labour (Gerschenkron, 1962, 353-354).

Gerschenkron's emphasis on the unique role of the 'economically backward' states for growth and industrial catch-up had become a theoretical foundation for the advocates of the developmental state theory: Chalmers Johnson for Japan (Johnson, 1982); Alice Amsden (1989) on South Korea; and Robert Wade for Taiwan (Wade, 1990).

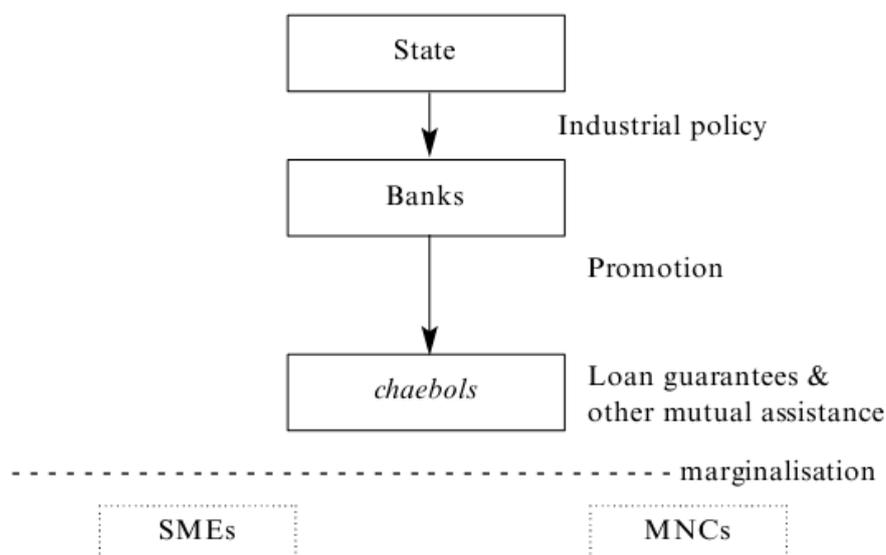


Figure II-3 Korea's nationalistic model

(Shin, J.-s. and H.-j. Chang, 2003, 14).

In the case of South Korea, both the state and the banks played a pivotal role. The state nationalised commercial banks to be subordinate to the state's industrial policy. However, the 'the Korean big business conglomerates (*chaebols*)' characterised by family ownership, were also significant institutions in overcoming backwardness. They were nurtured by the state-led HCIP as a principal recipient of resources mobilised by the state in the 1970s.

5. Flying geese

The neo-classical theory stressed the benefits of free trade to South Korea's economic growth. However, the neo-classical theory does not explain everything so clearly. In the 1960s, the US demanded that South Korea should accept the leading role of Japan in its Asian regionalism in exchange for Most Favored Nation status in trade relations with the US. To reduce the massive American economic and military in South Korea in the 1950s, the US expected Japan to provide financial and technical support along with moving its labour intensive industries to South Korea.

Hence, the integration of the South Korean economy into the free trade mechanism should be understood as a part of the ramifications of the American Cold War strategy. The integration of South Korea into the American market and the export-oriented growth strategy could be better explained through the Flying Geese (FG) pattern and world system rather the neo-classical theory (Akamatsu, 1962; Wallerstein, 1974).

According to the United Nations, the FG paradigm denoted the regional pattern of industrialisation in Far East Asian countries involving 'a regional division of labour based on an industrial and locational hierarchy'. The FG paradigm described the life-cycles of various industries in the course of economic development and of the relocation of industries from one country to another through trade and foreign direct investment in response to shifts in competitiveness (UN. 1996, 75).

The FG was originally coined by Kaname Akamatsu, a Japanese economist in the 1930s to 'explain the catching-up process of industrialisation in latecomer economies in Japan's Empire'. According to Akamatsu, there are two patterns in industrial development of prewar Japan: a basic pattern and a variant pattern (Akamatus, 1962; Bachinger and Matis, 2009, 283-305).

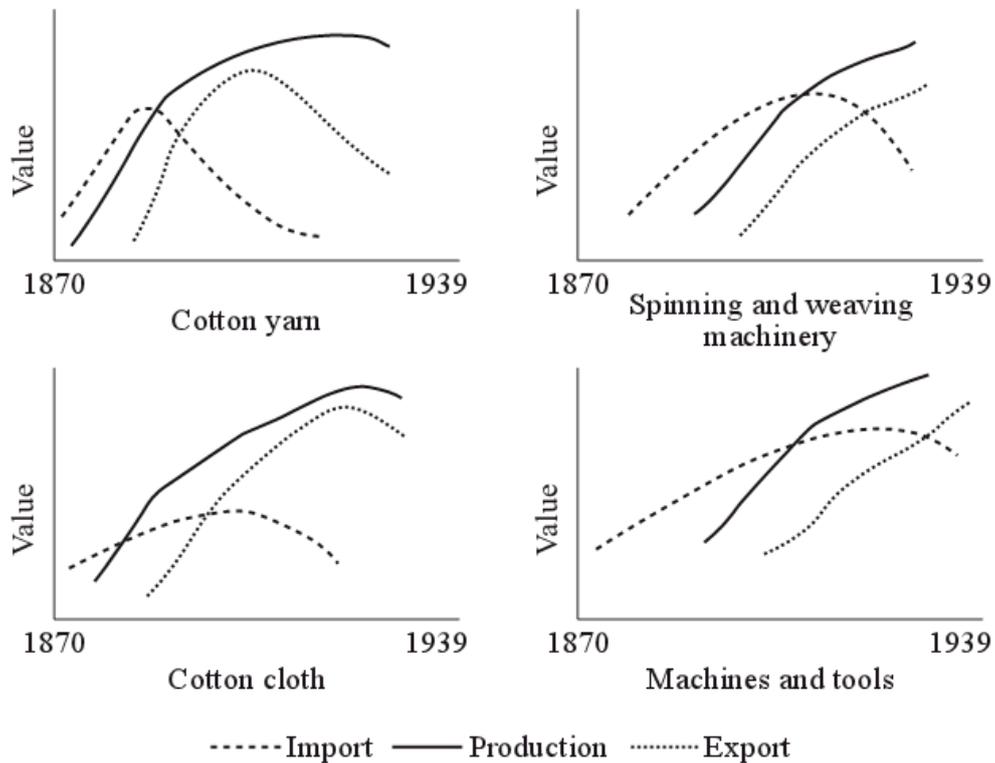


Figure II-4 Akamatsu's wild-geese-flying patterns
(Akamatsu, 1962, 12).

In the basic pattern, 'a single industry grows tracing out the three successive curves of (1) import, (2) domestic production, and (3) export' (M → P → E) and in the variant pattern 'industries are diversified and upgraded from consumer goods to capital goods and/or from simple to more sophisticated products'. This pattern resembles a flying geese formation, which represents a strategy of import-substitution-cum-export-promotion as Figure II-4. Akamatsu's research on the FG in the 1930s was based on Japan's strategy of emulating and learning from the 'lead-geese (hegemonic)' economy strategy to cash in on the forces of Pax Britannica-led growth clustering (Ozawa, 2005, 10). Since the 1945, the FG paradigm was expanded to represent America-led clustering in the America-led Pacific Rim and sequence of tandem growth: USA → Japan → NIEs → ASEAN4 → China (Ozawa, 2005, 22).

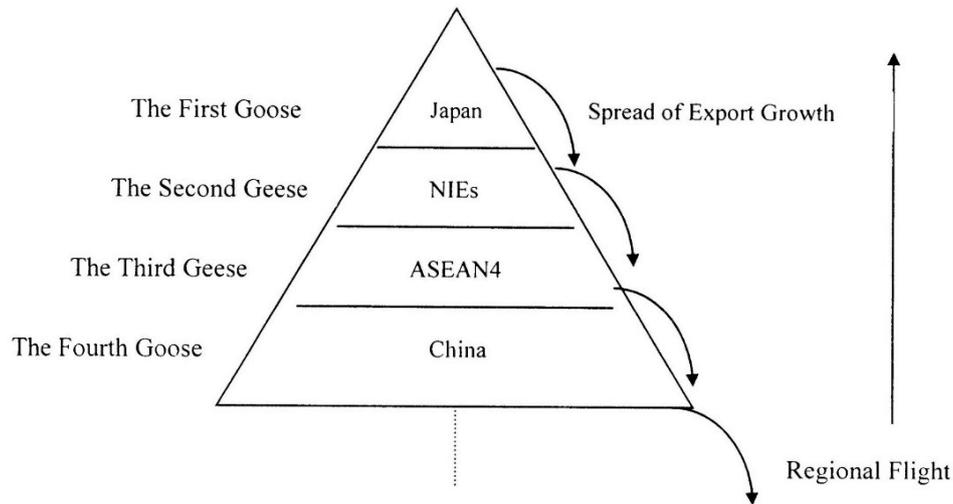


Figure II-5 Image of regional flock formation of export growth
(Yun, C., 2005, 21).

The regional formation of the FG pattern in Far East Asia in the postwar era could be explained in terms of the Cold War strategy. According to Rostow (1990), Russia (1890-1914) and Japan (1878-1899) witnessed ‘economic take-off’ through taking strategy of late starters in industrialisation. However, the two classmates in late industrialisation were divided by Communism vs. consumerism. During the postwar era, the Soviet strategy for the late industrialisation was transplanted in mainland China and North Korea, which triggered the formation of the FG patterned clustering in Far East Asia (Ozawa, 2005, 25-26).

As to the emergence of the FG pattern, Bruce Cumings (1984) had incorporated ‘core-periphery’ of Immanuel Wallerstein’s world system to explain the FG pattern in Far East Asia. Cumings argued that the industrial development in non-communist Far East Asia should be understood as the ‘regional phenomenon’ not an ‘individual country phenomenon’. Cumings asserted that Far East Asian development for the last century should be understood in historical structure built by the Japan in competition with the Western world. During the early colonial rule, Japan’s colonial expansion had established the role of Korea as periphery and Japan as a core in industrial division of the Japanese Empire (Cumings, 1984)

Cumings argued that Japan, as a core part of the Japanese world system, started a new industry and maintains it until Japan loses comparative advantages at a final stage of the product cycle. Then, Japan transfers the industry to Korea or Taiwan while moving to another new industry which require more capital and advanced technology. This pattern in Far East Asia has been evolving from the Japan’s Empire until the end of the last century:

In the past century Japan, Korea and Taiwan have also moved fluidly through a classic product-cycle industrialisation pattern, Korea and Taiwan following in Japan's wake. Japan's industrialisation has gone through three phases, the last of which is just beginning. The first phase began in the 1880s, with textiles the leading sector, and lasted through Japan's rise to world power. In the mid 1930s Japan began the second, heavy phase, based on steel, chemicals, armaments, and ultimately automobiles; it did not begin to end until the mid 1960s. The third phase emphasises high-technology knowledge industries... such as electronics, communications, computers, and silicon-chip microprocessors... Taiwan and Korea have historically been receptacles for declining Japanese industries (Cumings, 1984, 3).

After World War II, Japan's ambition to build her own world system had been demolished. However, this pattern was to be repeated in Far East Asia during the period between the Korean War and the Vietnam War (Sugihara, 2003, 94-95). Due to the Korean War, the role of mainland-China as a regional core in traditional society had been destroyed. Alternatively, Japan had emerged as a leading producer and the rest of the Asian states were invited to a new core-periphery relationship in compensation to unfettered access to a larger market in North America (Arrighi, 2007).

Here, it is necessary to discern the stark difference in regionalism between Western Europe and Far East Asia. European economic regionalism was characterised by the postwar resuscitation of West Germany to become the regional leader under the control of the European Community. In postwar Western Europe, Germany was transformed into a benevolent leader, recognised by neighbouring states.

In contrast, the FG had regionalism reinvigorate Japan's economy as the regional forerunner in industrialisation. However, in Japan's regionalism, the economic integration of East Asian states into Japanese regionalism was not based on the smooth cooperation between Japan and its neighbouring states. Japan failed to be recognised as a 'benevolent leader' in spite of its economic leadership, which created competition among the states in Japan's regionalism.

According to Ozawa (2005), the development of the FG pattern in Far East Asia has five tiers of leading industrial upgrade in the history of world economy since the Industrial Revolution in England: (1) 'Heckscher-Ohlin' endowments-driven (natural resources-or 'raw' labour-intensive) light industries best represented by cotton textiles (2) 'non-

differentiated Smithian' scale-driven (physical capital-intensive, natural resource-processing) heavy and chemical industries, (3) 'Differentiated Smithian' assembly-based industries (automobiles), (4) 'Schumpeterian' R&D-driven industries (microchips and computers), and (5) 'McLuhan' Internet-based industries (information) (Ozawa, 2005, 14-16).

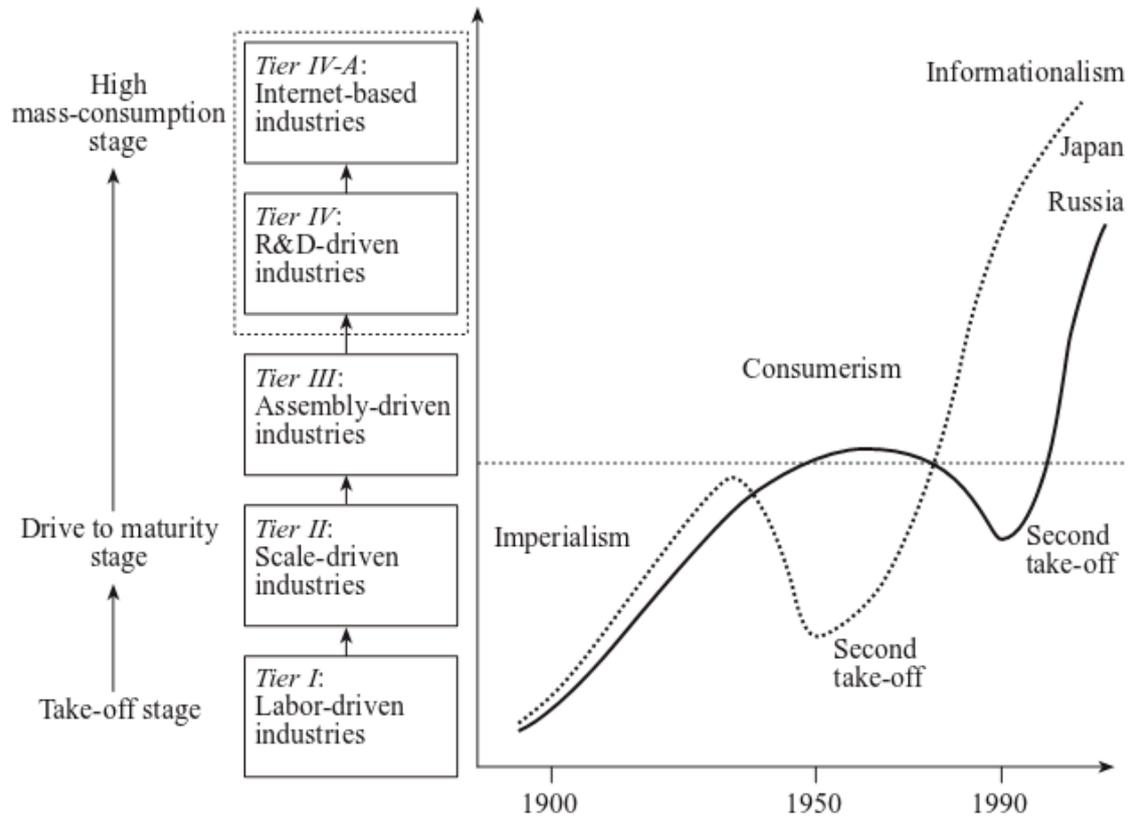


Figure II-6 Sequential catch-up development: Japan vs. Russia
(Ozawa, 2005, 27)

In the 1950s, the Russian industrialisation strategy was directly transplanted into North Korea, which kicked off heavy industrialisation in North Korea much faster than in South Korea. In contrast, the South Korean economy had been isolated from the sphere of Japanese industrialisation in the 1950s, which caused the economy of South Korea to remain alienated. Moreover, Japan's growth accelerated after 1950 when Japan witnessed an upsurge in exports to the USA (Figure II-6). Japan's rapid leap from Tier II (scale-driven heavy industries) to Tier III: (Assembly-driven industries) had begun in the late 1960s.

Much deferred, South Korea entered the stage of 'Heckscher-Ohlin' endowments-driven light industries in the early 1960s. By the time of late 1960s, South Korean political leader were anxious to catch-up to Japan while North Korea was significantly ahead of South.

Hence, Park decided to rapidly migrate to ‘non-differentiated Smithian’ scale-driven heavy and chemical industries in the 1970s.

To estimate the time of upgrading from Tier I to Tier II, Park’s economic staff aides directly turned to Hoffman’s law to launch the HCIP (O, W.-c., 2012). Walther G. Hoffmann (1903 - 1971) was a German economist who studied evolution laws of the structure of the industrial sector. Although Hoffman is marginal in the mainstream school of economics, Hoffman had a crucial influence on Far East Asian policy makers who wanted to perform the rapid transition from labour intensive industry to heavy industry (Wei, Z. and J. Dong, 2011).

Hoffman conducted research on the evolution laws of industrial structure by using the time-sequence data of about 20 nations, and proposed a ‘Hoffman coefficient’ as the ratio of net production value between consumer materials (light industries) and capital materials (heavy industries). According to Hoffman, changing the ratio of light industry to heavy industry exerts an impact on the nature of the whole industry.

Table II-1 Hoffman’s division and conclusion of the industrialisation stage

Scope of Hoffman coefficient	Stage of industrialisation
5.0 (± 1.0)	First stage
2.5 (± 1.0)	Second stage
1.0 (± 1.0)	Third stage
Less than 1	Fourth stage

(Hoffman, 1958, 166-170).

As Table II-1 shows, Hoffman divided industrialisation into four stages. In the first stage of industrialisation, the production of consumption material overwhelms the manufacturing of production material. In the second stage, the scale of consumption material industry is still much larger than that of capital material industry. In the third stage, capital material industry converges to that of the consumption material industry. In the fourth stage, the scale of capital material industry started to exceed that of the consumption material industry (Hoffman, 1958, 1-3; Dang *et al.*, 2011, 68-69). The Hoffman ratio contributes to understanding the nature of Park’s pursuit of the HCIP in the 1970s.

In Japan, the critical stage of Japan’s ‘heavy industrialisation’ had begun in the 1950s and ended in the early 1970s. At the outset of the heavy industrialisation of the 1950, the Hoffman coefficient was 1.5. The ratio declined to below 1 in the early 1970s. Japan’s

Hoffman ratio remained below 0.7 from 1970 onwards (Wade, 1990, 45-46; Wei and Dong., 2011. 12-13). The completion of ‘heavy industrialisation’ in Japan had provided opportunities for South Korea and Taiwan to follow the Flying Geese pattern around the early 1970s (See Figure II-7).

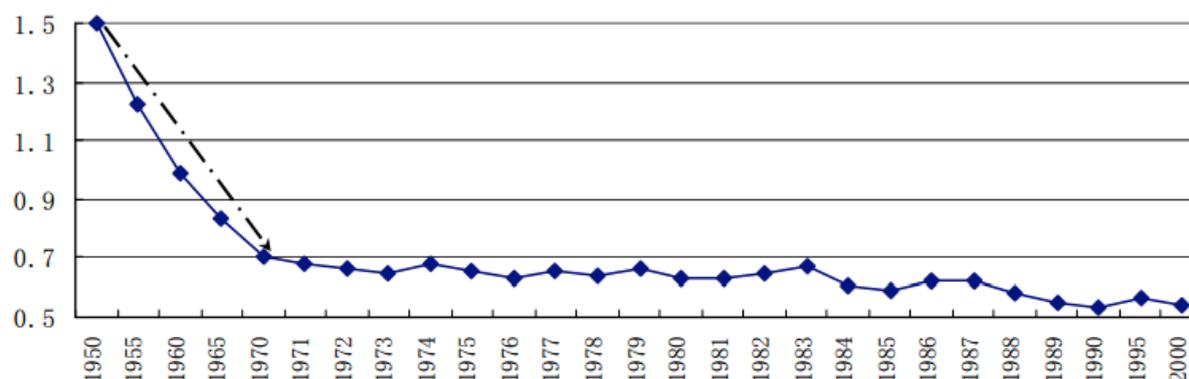


Figure II-7 Changing path of Hoffman coefficient in the Japan's manufacturing industries
(Wei, Z. and J. Dong., 2011).

As Table II-2 shows, the South Korean Hoffman coefficient of South Korea declined from 4.28 in 1960 to 1.58 by 1973. In the year 1973 the Hoffman coefficient of South Korea showed that South Korea changed its industrial structure in the 1960s and was emulating the path Japan took when it started heavy industrialisation in 1950.

Table II-2 Changing path of Hoffman coefficient in the South Korean manufacturing industries

	1960	1962	1965	1967	1970	1971	1972	1973
Manufacturing (A)	1,220	1,423	2,499	3,068	5,600	6,592	7,653	10,020
Consumer materials (B)	969	1,044	1,668	1,997	3,423	4,103	4,992	6,131
Capital materials (C)	231	379	831	1,071	2,177	2,489	2,661	3,889
Hoffman coefficient (B/C)	4.28	2.75	2.00	1.85	1.57	1.65	1.88	1.58
C/A (%)	18.9	26.6	33.3	34.9	38.9	37.8	34.8	38.8

(ROK. Bank of Korea, *Economic statistics yearbooks*, 1973).

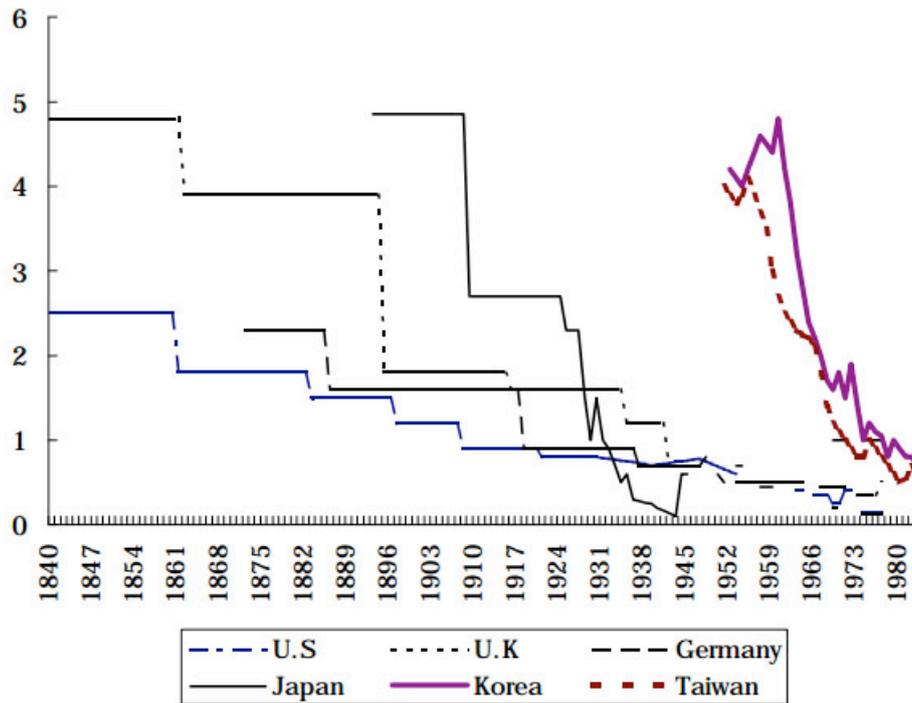


Figure II-8 The Trends of Hoffman ratio across Countries
(Kim and Watanabe, 1997).

The Hoffman ratio when used in comparison with the major industrial forerunners shows that there was a rapid transition to heavy industry in South Korea and Taiwan (See Figure II-8). Even considering the late industrialisation of Japan, the two cases of South Korea and Taiwan were especially rapid. This pattern implies that the adoption of the Gerschenkron’s catch-up strategy in the two states had a close relationship with the rise of the authoritarian political form and its ability to mobilise a coercive state force.

6. Concluding remarks

The economic take-off in the 1960s and the subsequent rise of authoritarianism and heavy industrialisation in the 1970s during Park’s regime should be understood in terms of a combination of a variety of perspectives. Any single theoretical approach cannot fully explain the economic development of South Korea. This research argues that the conventionally dominant approaches (neo-classical approach and developmental state) have empirical errors. This research adopts alternative models, such as ‘systemic vulnerability’ which encompasses the ‘elite coalition’, ‘upgrading industry through institutionalisation’, and the ‘flying geese’ as Japanese styled regionalism.

The logic of Park’s heavy industrialisation resulted from the impact of a variety of factors like the urgent need for broadening the elite coalition, the security threat, scarce

natural resources, and the fiscal constraints when it came to providing side payments to the public. Based on the strategy of late industrialisation, this research postulates that the capacity of state institutions for accumulating financial resources to industry and enhancing its efficiency is a critical nature of the developmental state.

Furthermore, integration of the South Korean economy into international trade structure could be better explained by regional trickle-down effects in the FG pattern led by Japanese economic regionalism. In terms of the domestic strategy, South Korea adopted the latecomer's strategy in Gerschenkron's sense. In this catch-up strategy, the state mobilises all national resources to the targeted sectors while sacrificing private consumption and the mobility of capital. For these purposes, Park incorporated an authoritarian constitution in order to create an economic order that would facilitate rapid heavy industrialisation.

III. Historical background

1. Pre-modern setting: Confucian transformation in South Korea

The last pre-modern dynasty in Korea was *Chosŏn* or Yi Dynasty ruled by the Yi family from 1392 to 1905. Along with neo-Confucian scholars, General Yi Song-gye established the Chosŏn dynasty by overthrowing the existing *Koryŏ* dynasty through a military coup in 1392. General Yi established a centralised political and economic system modeled after the Ming Chinese government and neo-Confucian statehood. The emergence of the Chosŏn dynasty was a watershed in the history of Korea. The hereditary aristocratic order and the Buddhism as a ‘state religion’ were abolished and the Confucian transformation ensued in the new dynasty (Eckert *et al.*, 1990, 190-124).

Prior to the Yi dynasty, Buddhism and Confucianism were credited as two pillars of the Korean society. Buddhism took the role of meeting spiritual needs of people. Confucian theory was used by the ruling class for theoretical and moral justification for social structure. However, the Chosŏn dynasty adopted a policy of anti-Buddhism and pro-Confucianism as an orthodox philosophy for the new dynasty. The Confucian scholars blamed Buddhism as a main cause of breakdown of the *Koryŏ* dynasty. Their criticism focused on two main points: ‘the Buddhist’s emphasis on life after death, which rendered the present irrelevant; and their cultivation of self, which isolated the individual from family and state’ (Deuchler, 1992, 104).

Throughout the history of the Yi dynasty, the Confucian ruling class suppressed Buddhism in their efforts to transform Korean society along the doctrines of neo-Confucianism. Estimated Buddhist population had abruptly declined with the advent of the Yi Dynasty. During the Yi Dynasty, the Confucian system produced institutional outcomes and social codes as a means of political and social mobilisation, which were discussed in Max Weber’s writings (Chowdhury and Islam, 1993, 31; Weber, 1951).

With the imposition of Confucianism as a new state orthodox doctrine, the Chosŏn dynasty integrated into the Sino-centric system. Under the Sino-centric international order, the Chinese Emperor was at the centre of the universe and China was positioned as a core and surrounding political states became tribute-paying countries through China’s symbolic suzerainty and compulsory tribute trade system (Macdonald, 1990, 14; Hamayashi, 1994, 92-95).

The recruitment of meritocratic elites through an examination of prospective bureaucrats’ knowledge on Confucianism was the most conspicuous feature of the Chosŏn

dynasty in contrast to the former dynasty. The Chosŏn dynasty introduced three categories of status: the *yangban* the meritocratic literati elite, *sangmin* (the commoners), and *chunmin* (the lowborn). The *yangban* denoted land-owning officials who passed the ‘*Kwagŏ* (Civil and Military Service Examinations)’. Commoners were free men who had no privileges and all the burdens of taxation. Most of them consisted of peasants who farmed the land of others as tenants or owned small plots of land. The *chunmin* consisted of slaves, shamans and outcast groups (Palais, 1975, 6; Kohli, 1994, 1271).

In principle, the state owned all the land. The dynasty granted high officials the land to be rented for tenure in compensation for passing the competitive Civil Service Examinations. But, ‘the majority of higher degree holders in the examinations came from a relatively small number of aristocratic lineage groups’ despite the examinations being open to the *yangban* (Palais, 1975, 43). The examinations tested candidate’s knowledge of Confucian philosophy and the proficiency of the written classical Chinese language. In addition to economic wealth, success in the examinations brought an opportunity for social ascendancy into aristocracy (Seth, 2011, 136).

To maintain the social status of the aristocrat and the economic privileges of landlords, the *yangban* class concentrated on literati education in preparation to the national examinations. Therefore, the political and social structure of the Chosŏn dynasty was determined by the privileged right to land tenure through success in the Civil Service Examinations (CSE).

However, throughout the history of the Yi dynasty, the Military Service Examinations had been much less prestigious than the CSE. There are three reasons. First, the Confucian disdain for physical activities which made the military service a humble task for the lower classes in Korean traditional society. Second, as the Chosŏn dynasty was established by a military coup against the existing *Koryŏ* dynasty, the Chosŏn dynasty strictly controlled military expansion and activities. Finally, since Korea had accepted Chinese suzerainty over Korea, there were to be much less conflict between states in Far East Asia on the condition that the strong Chinese dynasty maintained stability of international order. Therefore, the military of the Chosŏn dynasty had been marginal until the end of the nineteenth century (Lee, C.-s., 2012).

The creed of Confucianism put the priority into agriculture and it discouraged commercial and technical activities with strong contempt. As the ruling class relied mainly on the revenues from agricultural production in the tenure system, they strictly controlled the mobility of the peasants. In addition, the state also resorted to squeezing revenue out of the

peasant population via taxation along with *corvée* labour and military service. Ultimately, the Confucian contempt for commerce had impeded the transition of the Chosŏn dynasty into capitalistic industrialisation (Kohli, 1994, 1271).

The overwhelming position of Confucianism under the Chosŏn dynasty would begin to decline due to influx of Christianity. Throughout its five hundred-year rule, the Chosŏn dynasty suffered only two devastating invasions from Japan and the Manchu Empire. Although the Chosŏn dynasty survived the two attacks, Roman Catholicism was introduced during the two wars. In 1592, Toyotomi Hideyoshi (1536-1598), the ruler of Japan brought an end to internal turmoil and unified Japan. In the same year, he invaded Korea under the pretext of a military campaign against the Ming dynasty in China, which lasted for seven years. The Chosŏn dynasty fended off the Japanese military force with military aid from China. Although the war was devastating, the war brought about significant cultural exchanges between Korea and Japan. Many skilled Korean potters and Confucian scholars were abducted to Japan as war prisoners, which contributed to the rise of the ceramic industry in Japan and development of the study of Confucianism (Eckert *et al.*, 1990, 148-149).

During this invasion, Roman Catholics came to Korea for the first time. Konishi Yukinaga (1555-1600) a Japanese Commander was Roman Catholic. Konishi was accompanied by Gregorius de Cespedes, a Spanish priest, when he participated in the invasion against Korea (Osgood, 1951, 249-250).

Afterwards, many Korean people came to learn of Roman Catholicism from books brought from China, which triggered interest in Christianity among the intellectuals. Afterwards, Christianity had become increasingly and clandestinely popular. In 1636, the Manchu Empire launched a military assault on the Yi Dynasty. In contrast to the Japanese invasion, the Chosŏn dynasty succumbed to the Manchu Empire. After the end of the invasion, Crown Prince Sohyŏn (1612-1645), the eldest son of the King of the Chosŏn dynasty and his families was held as hostages to Manchu Empire for eight years (Jung, T.-s., 2001, 164).

During their stay in the Manchu Empire (1636-1644), Prince Sohyŏn communicated with Johann Adam Shall (1592- 1666), a German Jesuit and astronomer in Beijing. Prince Sohyŏn learned the Christian doctrines and had a strong intellectual curiosity about the calendar system. This is the first encounter between Korea and Germany officially recorded by Martino Martini, a Jesuit:

Zu unser zeit kam der König selbst zu dem Keyser Chungchiniu, und machte zu Peking mit den Patr. unserer Societät grosse Freundschaft / bei welcher gelegenheit etliche auß Corea, so zuvor in Christlicher Lehr unterrichtet waren / heylsamlich Tauffen lassen / unter denen auch der alleroberste Verschnittene des Königs gewesen / der nichts so sehr wünschete als die Patres mit sich / selbst auff des Königs begehren / nach Corea zu führen / wann der mangel an Leuten uns hette so Gottseligem begehren statt geben lassen (Martini, 1655, 174, cited in Hwang, J.-w., 2012, 244).

After the Manchu Empire completed its conquest of Ming, the royal families of the Crown came back to Korea. A spreading of Christianity in the Korean peninsula could have been possible when the Prince, as an authorised successor of the Chosŏn dynasty, brought Chinese Roman Catholic priests and writings. At the age of 33, the prince died suddenly before inheriting the throne. However, increasingly the *yangban* class in the urban areas continued to learn from Roman Catholicism and to convert to Christianity (Eckert *et al.*, 1990, 183).

By the middle of the eighteenth century, the Christian doctrine was becoming widely spread among individuals. In the late nineteenth century, the increasing population of Christians had begun to concern the Confucian ruling class (Osgood, 1951, 250-251). In response to the burgeoning Christian population, the Chosŏn dynasty banned Catholicism as a heterodox religion and the bloody persecution of Korean Catholics and Western missionaries frequently took place until 1873 in the nineteenth century (Jung, T.-s., 2001, 349).

So why were some intellectuals and members of the ruling class attracted to Catholicism at the time? The meritocracy of the Chosŏn dynasty failed to provide equal and fair opportunities. Being entirely reliant on limited land, the state became gradually confronted with a shortage of land to provide to newly recruited bureaucrats. Moreover, since the eighteenth century, the Civil Service Examinations had become severely skewed, which became monopolised by a few family clans. This breakdown of the supposedly fair and equal meritocratic system became the origin of the decline of the dynasty. Increasing numbers of marginalised *yangban*, in frustration and anger, took the Military Service Examinations after having failed to pass the Civil Service Examinations many times. The pre-eminence of Confucianism as an orthodox doctrine became challenged by the marginalised elites (Lee, C.-s., 2012; Seth, 2011, 165-171).

Along with the increasing Christian population, the creed of equality in Catholicism had a detrimental influence on non-Christian elites. The belief in Catholicism had fostered a grave and increasing indictment of the Confucian elite class and its social values. In the rural areas, conservative peasants were hostile to Catholicism. However, they were strongly inspired by the creeds of Christianity (Eckert *et al.*, 1990, 183).

In 1860, Ch'oe, Che-u (1824-1864) had founded a new indigenous religion known as *Tonghak* (Eastern Learning) to resist the deteriorating economic and social conditions of the Confucian dynasty by adopting the creeds of Christianity. The *Tonghak* movement was born out of a social frustration against the Chosŏn dynasty of the nineteenth century and a strong hostile reaction to Western encroachment. In contrast to the limited popularity of Christianity among the marginalised *yangban* in the urban areas, *Tonghak* gained increasing support both from destitute *yangban* and the oppressed peasantry to the extent that it developed into a full scale uprising against the Chosŏn dynasty and ruling class in 1894 (Seth, 2011, 243-246). The *Tonghak* uprisings were mainly led by marginalised *yangban* who had passed the Military Civil Service Examinations (Han, W.-k., 1970, 65).

The *Tonghak* peasant army defeated the regular army of the Chosŏn dynasty in skirmishes at the early stages of rebellions. The Chosŏn dynasty asked for an urgent military aid from China in suppressing the rebellion. China sent troops to Korea. In response to the Chinese measure, Japan also sent troops. After the suppression of the rebellion, the Chinese and Japanese engaged each other in Korea, and Japan declared a war on China in 1894. This became the First Sino-Japanese War (Duus, 1995, 66-102).

To the world's surprise, Japan defeated China. Due to the results of the War, Korea was separated from the suzerainty of China and became increasingly part of Japan's control. Russia intervened in this process to pose a challenge to Japan. The Russians and Japanese contesting for hegemony in Korea lasted a decade. After concluding the Anglo-Japanese alliance in 1903, Japan waged a war against Russia in 1904. Japan defeated Russia and drove it out of Korea and Manchuria. Five years later in 1910, Japan annexed Korea officially (Nish, 1985; Dudden, 2005). The ramifications of the *Tongkhak* movement had a seismic impact in East Asia. The regional hegemony of China was totally dismantled by the Japanese victory, which enabled Japan to colonise Korea.

Here, it is necessary to introduce the relationship between Park's family and the *Tongkhak* uprising. Park Sŏng-bin (1871-1938), father of Park Chung Hee became a military officer after failing multiple times in the Civil Office Examinations. As a marginalised *yangban*, he participated in the *Tonghak* uprising against the Confucian government. While

he was not executed, he lost most of his land and properties inherited from his ancestors, which left his family destitute. Park Sŏng-bin's militant actions against the Confucian Yi dynasty had a formative impact on Park Chung Hee and his family. His sons fostered anti-Confucianism and became inclined to resort to military action: Park Sang-hee (1906-1946) was killed by police during his engagement in 'The Autumn Uprising' a peasant uprising across the southern provinces of Korea against the policies of the United States Army Military Government in October 1946; Park Chung Hee was the leader in a military coup in 1961 (Keon, 1997; Lee, C.-s., 2012).

2. Colonial Development (1910-1945)

The period of Japanese occupation of Korea for thirty six years had exerted a profound influence on Korea. In the earlier part of colonial rule, Imperial Japan attempted to transform Korea to underpin its military operation. Since the late 1930s, economic regionalism based on the wartime economy was introduced. Japanese colonial development had distinctive features that set it apart from colonial development elsewhere (Myers and Petrie, 1984). At the time of the Japanese colonisation of Korea, Japan was a 'later industrialiser' based on Prussian 'late industrialisation' in which the state led the formation of the political economy in order to overcome the backwardness. In Japan, 'it was the state that conceived of modernisation as a goal and industrialisation as a means, that gave birth to the new economy of haste and pushed it unrelentingly as an ambitious mother would to her child prodigy' (Landes, 1965, 182).

Moreover, unlike the huge gap in capitalist development and industrialisation between the colonised of the Third World and their Western colonisers, Japan and Korea had a similar political and social development. The Japanese could not achieve an overwhelming superiority to Korea. Hence, Japan could not legitimise its colonisation of Korea based on a 'civilising mission'. The Japanese focused on destroying the Confucian traditions in pursuit of modernising itself and its colonies (Lee, H.-k., 1990, 73-74) in the 1910s and 1920s.

In 1910, the Government-General was established as a supreme colonial state institution with monopolistic stances on legislative, administrative and judicial sectors. Its headquarters were in Seoul and its sub-organisations and local governments placed under the direct control of the Governor-General. The Governor Generals were directly subordinate to the Japanese prime minister who ruled Korea. During colonial rule, there were eight Governor-Generals in Korea. All of them were high-ranking Japanese military officers: Terauchi Masatake (1910-1916), Hasegawa Hodo (1916-1919), Saito Makoto (1919-1927), Yamanashi Hanjō (1927-1931), Ugaki Kazushige (1931 to 1936), Minami Jiro (1936 to

1942), Koiso Kuniaki (1942 to 1944), and Abe Nobuyuki (1944 to August 1945). Among them, Saito Makoto was from the Navy and the rest of them came from the Army. The Japanese colonial administration of Korea stressed the supplementary role in preparing a future war with China (USA. Department of Army, 1992, 20; Kwon, S.-y, 2013, 194).

Japanese colonial rule demolished the neo-Confucian traditional institutions and carried out drastic reform by introducing a modern bureaucratic and authoritarian state apparatus. The Japanese occupation of Korea went through several phases. From 1911 to 1918, Japan performed cadastral surveys to transfer land ownership to Japanese. However, Japan did not dismantle the traditional landlord system in South Korea. The traditional landlord class was allowed to maintain the tenure as long as they did not oppose Japanese rule. Japan's confiscation of land focused on weak ownership and public and royal possession. As a result, almost 70 percent of the arable land was owned by landlords and the tenure system extracted 75 percent of the harvest. Among the farmed land, 17 percent was owned by Japanese landlords and the rest was owned by Korean landlords who collaborated with the colonial government (Kim, J.-p., 1988, 106).

During the colonial rule, Korean traditional agriculture, based on rice and other grains, had remained central in the Korean economy. The Imperial Japan had integrated the economy of Korea into a regional division of labour. Japan had set the pattern of colonial development in Korea as an 'agricultural appendage' of Japan. The Imperial Japan primarily considered Korea as a source of food for Japan's expanding population and a market for Japanese goods. Industrialisation was retarded and the middle-class were not strengthened (Henderson, 1968, 94; Macdonald, 1990, 19).

The role of an agrarian hinterland for the Japanese Empire resulted from geographical constraints. As Korea is positioned in the north eastern region of the Asian monsoon area, the Korean peninsula has a very hot and rainy summer with a freezing and dry winter. This geographical feature produces conspicuous constraints in agricultural productivity (Bartz, 1972, 25-28).

In most of the rice cultivation regions in Far East Asia, double or triple cropping of rice for a year is common. Triple cropping is possible from the tropical areas to the southern part of Taiwan and double-cropping in the northern half of Taiwan. In contrast, rice cultivation in Japan and Korea is characterised by a single crop per year during in summer period and a long stoppage in winter. Moreover, the rice cultivation was entirely reliant on hydroponic farms which required massively organised inputs of labour forces to control water. In spite of the heavy input of labour forces in the summer, the productivity of agriculture

stayed low due to the long halt of agricultural activities in the winter. Due to this low productivity, Japan could not industrialise the agricultural sector by introducing plantation-style farms found in the other colonised states of tropical Asia. Therefore, most of the peasants in Korea remained bound to the land and engaged in low-productivity agriculture in the rural lands, which restricted the potential supply of labour forces into the industrial sectors and thus retarding urbanisation (Koo, 1987, 166).

As Table III-1 indicates, shares of manufacturing and mining slightly increased in the late 1930s and the early 1940s when Japan was engaged in the war with China. During the wartime period, there had been a massive investment on facilities for heavy industry on a large scale in North Korea due to availability of natural resources and its geographical proximity in the war with China (Eckert *et al.*, 1990, 310; Ekbladh, 2003, 177).

Table III-1 Change of industrial structure in Korea, 1919-1941

	(Percentage of net commodity product)			
	1910-12	1919-21	1929-31	1939-41
Agriculture, forestry and fisheries	95.9	92.7	88.3	73.6
Manufacturing and mining	4.1	7.3	11.7	26.4
Total	100	100	100	100

(Lee, J.-w., 1993, 25).

This regional peculiarity was the root cause of the serious industrial backwardness of South Korea when the Korean economy was abruptly separated from the Japanese economic system in 1945 (Chowdhury and Islam, 1993, 35-36). Moreover, Cumings argued that massive numbers of peasants in North Korea were uprooted to be employed in heavy-industry. This coercive mobilisation fostered the social basis for the radical anti-capitalist sentiments in the North, which ultimately led to the Korean War (Cumings, 1981).

For the initial nine years, the colonial government maintained an oppressive military-style rule. Nine years after annexation, the Koreans rose up against the Japanese by demanding independence in what was known as the March First Movement. On 1 Mar 1919, 33 designated leaders' proclaimed the independence of Korea in Seoul. The proclamation galvanised the Korean people into a nation-wide uprising. This movement was stimulated by American President Woodrow Wilson's doctrine of self-determination when he was attempting to establish the League of Nations for world peace. Wilson's ideas appealed to

Korean intellectuals who came to believe that Korea could claim self-determination from Japan (Caprio, 2009, 47).

Japan suppressed the uprising harshly. However, the uprising laid the foundations for the rise of nationalism in Korea. After the event, many nationalist leaders left Korea to continue the independence movement in exile. The overseas nationalist movement emerged in China, Manchuria, and Russia under the support of Korean communities. In America, a small number of émigrés initiated an independence movement. The overseas resistance to Japan had ideologically split into the left and the right due to the influence of the Bolshevik Revolution. The left collaborated with the USSR and Mao's Communist Army. The right worked with Chiang Kai-Shek, General of China and the USA during the war. After the collapse of Japanese colonial rule, these divisions developed into ideological camps, which became the origin of the division of Korea (Robinson, 1988: Macdonald, 1990, 42-43; Lee, B.-k., 2003).

In the 1930s and the 1940s, Japan introduced drastic and totalitarian policies of assimilation and a wartime mobilisation system, which was a response to the Japanese ruler's concerns. From the late 1920s, Communism was smuggled among the intellectuals in Japan and subsequently became disseminated among radical intellectuals in Korea. In 1930, The Great Depression hit Japan hard, which weakened the political base for liberal democracy and led to a rise of nationalist and militarist ideology (Kwon, S.-y, 2013, 200-219).

From this background, Japan tightened its policy towards Korea in order to increase internal cohesiveness and to prepare for war mobilisation (Seth, 2011, 193). The Japanese colonisation of Korea was 'unique in its subjugation of a racially and culturally similar people. The Japanese repeatedly listed their similarities with Koreans as the primary reason why they could integrate rather than colonise Koreans (Caprio, 2009. 7).

During the war, the Japanese embarked on a radical assimilation policy to eradicate the differences between the Japanese and the Koreans and merge them into a single cultural and ethnic body. The Japanese assimilation projects stands in contrast to the Celtic assimilation into the United Kingdom. Michael Hechter claimed that the Celtic, Welsh, Scottish, and Irish were colonised by England but retained a separate identity (Hechter, 1975).

Under the slogans of 'Japan and Korea as one body' and 'harmony between Japan and Korea'. Minami Jirō a Governor-General, (1936-1942) forced Koreans to register at Shinto and to attend Shinto rituals in 1936. The use of the Korean language in the schools was extremely restricted and exclusive use of the Japanese language was ordered after 1938. In late 1939, the government issued the Name Order, by which Koreans were to change their

names to Japanese ones. Eventually, about 84 percent of Koreans complied and adopted new names. Japan also prohibited the use of the Korean language. Korean-language newspapers were ordered to be closed in 1940 and by the early 1940s, the publication of all Korean books ceased. By 1943 students could be punished for speaking Korean at school (Seth, 2011, 296-297).

However, this radical assimilation policy was not successful due to the language barrier. According to a Japanese source in 1943, around 23 percent of Koreans understood the Japanese language and among them only 12 percent without any difficulties. As most of the Koreans could not speak Japanese, this linguistic barrier limited social interaction between Japanese rulers and common Koreans (Seth, 2011, 296-297).

With the outbreak of war between Japan and China in 1937, Japan had introduced a radical wartime mobilisation system. Koreans were mobilised into civilian labour and military conscription on a large scale for the war. All types of Korean organisations became banned, which were replaced by new types of organisations and institutions under the control of the colonial government, which were used to legitimise Japan's invasion of China and introduce war mobilisation. The Japanese colonial rule abruptly ended when the military forces of the USA and the USSR occupied the Korean peninsula in 1945 (Seth, 2011, p, 294).

3. Nation-making (1945 to 1960)

Generally, the postwar political history of South Korea can be distinguished into at least six distinct periods: The US Military Government in Korea (1945-48); (2) the nominally democratic government of Syngman Rhee (1948-60); (3) the short-lived democratic Second Republic (1960-61); (4) a period of military junta led by general Park Chung Hee (1961-63); (5) a return to a nominally democratic, but highly controlled pseudo-democracy under President Park Chung Hee (1964-72); and (6) a period of civilian authoritarian rule under the *Yushin* or 'revitalising' Constitution (1973-79) (Eckert *et al.*, 1990; Kleiner, 2001).

Since Japan's surrender in 1945, Korea was divided by the occupation of US and USSR military forces. The United States Army Military Government in Korea (USAMGIK) ruled South Korea from 1945 to 1948 while the USSR occupied North Korea for the same period. As the history of South Korea began as a postwar occupation policy, the American geopolitical perspective had a substantial impact on the history of South Korea. In the beginning, South Korea was nothing more than a buffer zone between Japan and communist Asia. As to the position of South Korea, George Kennan (1994-2005), one of the creators of the 'containment policy' in the American Cold War doctrine stated in 1950 that:

Japan was the most important single factor in Asia.’ [But at that moment] Japan was too weak to compete... it is important that nominal independence of Korea be preserved, for it provides a flexible vehicle through which Japanese influence may someday replace Soviet influence without creating undue international repercussions (Kennan, cited in Cummings, 2005, 309-310).

The cardinal policy of the geopolitical strategy of the USA in Far East Asia in the 1950s was establishing a buttress of anti-Communism led by the revival of the Japanese economy and integration of former Japanese colonies into realms of the Japanese economic sphere in compensation for market opportunities in the USA (Woo-Cummings, 1998; Cummings 1997; Arrighi *et al.*, 2003).

During this period, the USAMGIK prepared reforms that had a profound impact on nation-making in South Korea. The settings involved a purge of Japanese fascism, the establishment of liberal democracy, preparation for a planned economy and land reform, and expansion of education that changed the class structure in South Korea (Chun, S.-i., 1991). These preparations had laid the foundations for rapid modernisation and state industrialisation in the 1960s (Chun, S.-i., 1991; Brazinsky, 2007).

The USAMGIK issued the US Military Government Ordinance No. 33 on December 6, 1945 to take over all previously Japanese-owned properties. In 1946, the North Korean regime had enforced land reform to elicit popular support for the embryonic Soviet-backed government. This reform in the north triggered the USAMGIK to prepare for land reform in the South. In 1946, a group of economists led by Arthur C. Bunce, a professor of economics at Iowa State College came to South Korea to draft a land reform program. Under the USA Military Government, ‘Land Reform Law Drafting Committee’ was organised to draft a proposal for land reform in 1947. However, the proposed land reform was not put into operation due to the resistance of the land lord elite during the USAMGIK (Brazinsky, 2007, 21; ROK. Ministry of Strategy and Finance, 2013, 60).

Despite the official aim of the USAMGIK to purge fascist, militarist, and totalitarian characteristics and to instill liberal democratic values in South Korea, at that time, the USAMGIK was also concerned with the increasing appeal of Stalinist reform in North Korea in the South (Van Rhee, 1989; Lee, S.-m., 1991). Some American officers of the USAMGIK thought that Korean society was not prepared for the adoption of democracy. For them, Korean society lacked a middle-class; its population consisted of a majority of poor peasants

and a minority of landowners who held most of the wealth. The American military found itself trapped in a dilemma on the lack of a foundation for democracy in Korea. General Hodge, a chief Commander of the USAMGIK confessed the American dilemma of considering the use of fascism to fight against communism:

We have the danger of Fascism taking over when you try to fight Communism. It is a very difficult political situation that we run into. Germany was built by Hitler to fight Communism, and it went to Nazism. Spain the same thing. On the other hand, when the communists build up - when is the answer on the thing? How in the dickens are you going to get political-in-the-middle-of-the-road out of the mess? Just bring[ing] it up for discussion. I don't know the answer. I wish I did (Hodge, cited in Cumings, 2005, 194).

Ultimately, the USAMGIK yielded to the temptation to rely on Fascism. General Yi, Pŏm-sŏk was a famed military leader for his anti-Japanese activities in China. As an ardent supporter of Hitler, he visited Germany in the 1930s. He had collaborated with the political leaders of the Nationalist Chinese government led by Chiang Kai-Shek in organising the 'Blue Shirts' a Fascist organisation. Yi returned to Korea in 1946 and proceeded with setting up the Korean Youth Corps (*Minjok Ch'ŏngnyŏndan*) based on the Hitler Youth. Yi said in an interview that 'we base our instruction on the German Youth movement because the Germans are the only people who really know how to organise young men'. Leading members of General Yi's staff were also proponents of Hitler who studied in Germany in the 1930s: Dr. An Ho-sang (1902-1999) a philosopher on Hegel and an anonymous military trainer who had been known as an enthusiastic member of the 'Hitler *Jugend*' in Germany for three years (Henderson, 1968, 141; Kim, B.-j., 2003).

In spite of the influence of Nazism on Korean Youth Corps, the American authorities generously supported them with money and material. Furthermore, the colonel of the USA Army assisted in training them (Han, Sung-joo, 1974, 181; Deane, 1999, 39). These Fascist style organisations had become an official part of school education in South Korea with American support.

On the 17th of July 1947, the National Assembly of South Korea enacted the Foundation Constitution that adopted the presidential system. Syngman Rhee became the first President of the fledgling nation in 1948. Rhee's elevation to the Presidency mainly relied on

his legendary background and strong support from the USAMGIK. Rhee was an exceptionally prominent figure in Korean politics at that time (USA. Congress, 1978, 14).

When Rhee came back to Seoul after over 30 years of exile in America on October 16 in 1945, he was famous for his past independence movement against Japan and strong adherence to anti-Communism outside Korea. As a descendent of the Yi dynasty, Rhee had an outstanding educational background. He became acquainted with Western civilisation when he went to the *Paejae* school run by Henry G. Appenzeller, an American Methodist missionary. After graduation, he was sentenced to life-long imprisonment due to his political activities against the Yi dynasty. Rhee converted to Christianity in prison and was released when Japan colonised Korea. Afterwards, Rhee went to the US to start an independence movement. During his stay in America, he was educated in prestigious American universities through undergraduate to doctoral studies. At first he studied at George Washington University. Later he obtained an M.A at Harvard and a PhD in international law at Princeton in 1910 (Hong, Y.-p., 2000, 17). Along with his excellent proficiency of the English language and Western educational background, Rhee's firm adherence to anti-Communism appealed to the officers of the US military forces in Far East Asia (Kleiner, 2001, 107-109).

However, President Rhee was ambivalent towards democracy. Rhee expanded public education to disseminate the values of liberal democracy. At the same time, Rhee adopted an ideology of nationalistic fascism to strengthen anti-Communism and ethno-nationalism. Rhee appointed Yi Pŏm-sŏk as a Prime Minister and Ministry of Defence and An, Ho-sang as the first Minister of Education. As members of the First Cabinet of the Rhee's government, they played a role in incorporating fascist-styled nationalism and anti-Communism as the ideological foundations of South Korea. In 1949, they officially established the Korean National Student Defence Corps (KNSDC) a mandatory school military organisation based on their previous experience of organising the Korean Youth Corps in the secondary and tertiary schools. According to Dr. An, the purpose of the organisation was to 'consolidate anti-communist thought', indeed the motto of the Corps was 'Protect Students [from subversive ideas] and Defend the Nation,' (Seth, 2012, pp .16-17). President Rhee used the KNSDC to attack leftist students, teachers, and labour unions (Kohli, 2004, 70).

Based on US recommendation and pressure, Rhee's government undertook a land reform in response to the increasing influence of socialism from North Korea and the leftist activities in the rural areas of South Korea. In March 1948, the Land Reform Act was proclaimed and enforced in 1950. The government confiscated the land from individuals who

held more than approximately 3 hectares while paying compensation and redistributing the land to peasants (USA. Congress, 1978, 17; ROK. Ministry of Strategy and Finance, 2013).

As Table III-2 shows, the result of the land reform and redistribution were remarkable. By the time of 1964, tenant farmers decreased from 48.9 percent in 1945 to 5.2 percent in 1964 while the full owners increased from 13.8 percent in 1945 to 71.6 percent in 1964. The land reform played a pivotal role in eliminating the elite landlord class. According to the Land Reform Act of 1950, landlords were to receive government bonds equalling 150 percent of the average annual output of their main crop, in equal monetary instalments over a period of five years (Kim, J.-p., 1988, 75-76).

Table III-2 Owner-tenant distribution of farm households

Year	Unit: percent			
	1945	1947	1960	1964
Full owner	13.8	16.5	73.6	71.6
Owner-tenant	34.6	38.3	19.6	23.2
Tenant	48.9	42.1	6.8	5.2
Farm labour and Burnt field farmer*	2.7	3.1	Na	Na
Total	100.0	100.0	100.0	100.0

Sources: ROK. Ministry of Agriculture and Forestry, 1960, *Agriculture census*; ROK. Korea Land Economics Research Center, 1966.

Note: Burnt field farmer: nomadic farmers who illegally burn mountains to obtain land for farming.

However, right after the land reform was completed, South Korea underwent the Korean War from 1950 to 1953. Due to the war, the government deferred redemption of confiscated land to the original owners much later than the legal due date. During the war, most of the bonds were resold at about 10 percent of face value on the market. Through these events, most of the assets of the landlord class were lost. As to the land reform, Mason *et al.* (1980) had commented it as ‘expropriation rather than compensation’. Through the land reform, the backbone of the traditional Korean elite was destroyed (Mason *et al.*, 1980, 10).

The land reform had a substantial impact on political perspectives. The implementation of the land reform aimed to build up a base for political stability in the post-liberation turmoil. Through state force, the South Korean peasants became the first social group in possession of property, which made them the strongest supporters of the status quo

in the political system. This is the most distinguishing characteristics of South Korea at the inaugural stage in comparison with other states in the Third World where there were frequent militant conflicts between peasants and allied forces of the military and the landlord class (Wolf, 1968).

Through the state-led land reform, property ownership in the rural areas was re-distributed more equally, which created a strong base of peasants in support for the conservatives in the political history of South Korea. As to the land reform, Chibber claimed that the land reform of South Korea had enhanced state autonomy and boosted state capacity, which had produced 'a situation ripe for the advent of developmental state' (Chibber, 2003, 55).

After the Korean War, anti-Communism was fortified and the military in South Korea became excessively expanded. After the war, the USA exclusively embarked on a program to expand the ROK military by providing military aid and training in the 1950s. Hence, the military became the fourth largest army in the world with the most modernised equipment and skills. Military personnel increased from 100,000 to 600,000 with American aid in equipment and training during the period (1950-1954) (Kim, J.-i., 1994, 8-45).

In the 1950s, through the compulsive conscription system, the military had a formative effect on younger generations through military training and education. The military obtained knowledge on modern technology and modern administration with efficiency and cohesion. Under the aid and supervision of the American military, military education was established and expanded such as the Korean Military Academy (KMA), National Defence College (NDC), Army Infantry School, and Army Engineering School (AES) based on American military education in the 1950s. Furthermore, Korean elite military officers were invited to study at American military schools for training (Brazinsky, 2007, 101-102). However, this biased concentration of US aid into the military sector in the 1950s allowed the military to surpass the development of other civilian sectors, which contributed to the military coup in the 1960s (Henderson, 1968, 350-354; Kim, J.-i., 1994, 50-51; Brazinsky, 2007, 72-96).

However, at the sudden outbreak of the Korean War and the initial overwhelming dominance of the North Korean military forces, the South Korean Army hastily recruited military officers among those with a military career from the colonial period. Due to the hastened recruiting, the military officers came to become a hybrid of military backgrounds: (1) former military officers who served in the Imperial Japanese after graduating from the four-year- Japanese military school; (2) soldiers of the Japanese Army who graduated from a

two-year Japanese military school; (3) members of anti-Japanese activities from China without any military education. This heterogeneous composition formed factional competition in South Korea. In addition, during the Korean War, many of the military officers had poor educational backgrounds and military careers but became promoted to higher positions due to heavy casualties. After the massive upsurge in recruitment of military officers during the Korean War, the military officers became faced with a serious congestion when it came to promotions in the postwar era. In 1955, the Korean Army saw the first graduates with four-year bachelor degree from the Korean Military Academy. These younger generations in the South Korean army from elite military schools disdained the older generation in higher positions and fostered grievances which ultimately became an origin of the military coup in 1961 (USA. Central Intelligence Agent, 1961; Kim, S.-j., 1971).

Throughout his regime, Rhee's leadership proved to be disappointing (USA. Congress, 1959, 112-115). Rhee constantly attempted to consolidate political power by intimidating the opposition and mobilising the police force and military student groups. His government was characterised by widespread corruption, rent-seeking and patronage and incompetence in economic matters (USA. Congress, 1978, 14-17; Cheng *et al.*, 1998, 100).

Rhee was reluctant to push forward with economic growth because he was sure that 'unification would be achieved and would make industrial expansion in the South redundant' (USA. Congress, 1978, 17). His lack of initiative towards economic development collided with US economic advisors when the US recommended a national plan for economic development throughout the 1950s (Yoo, J.-h., 1968). In terms of international relations, the American policy makers aimed to integrate the economy of South Korea into that of Japan in order to establish a buttress for anti-Communism in Far East Asia and prevent any serious military. According to a report of the USA document in 1957, The USA should 'encourage the ROK to take the necessary steps towards normal commercial relations with other free world countries, particularly Japan' (USA. Department of State, 1993, 493-495).

However, Rhee constantly caused serious problems by attempting to provoke North Korea militarily and resisting the American policy-maker demands for normalising Japan-Korean relations (Hong, Y.-p., 2000). Rhee's consistent attempts for unilateral military action against North Korea infuriated the US. According to a declassified document of the US, in 1953, the General Maxwell D. Taylor, Commander of the USA 8th Army in Korea had prepared a plan 'Outline Plan Everready' in May 1953. The 'Everready' was a clandestine plan by the USA military in Korea to overthrow the Rhee's regime by South Korean military leaders loyal to the US (USA. Department of State, 1984a, 965-968). The USA did not

execute ‘Everready’. However, the plan definitely shows the US preference for military rule in South Korea.

At the time the US was trying to revive the economy of Japan by establishing Japan as a bulwark against Communism. But Rhee ostensibly criticised the American pressure for normalising relation with Japan in 1957:

We Koreans have not forgotten. Neither have other free Asians and neither should Americans. Nor should we forget the Japanese atrocities of a historical era that is so recent... Neither have I heard the Japanese Government nor the Japanese people publicly express regret for the great crimes committed against their friendly ally of today, the United States of America (Rhee, cited in Lee, S.-h., 2006, 161)

Rhee abided by a nationalistic Import-Substitution Industrialisation (ISI) in rejection of economic cooperation with Japan. Due to his strong anti-Japan sentiment, Rhee sought to reduce imports from Japan (Haggard, 1990, 55; Woo-Cumings, 1998, 330, 2002, McNamara, 2002, 27). Rhee’s adherence to the ISI was based on his expectation that the economic aid from the US would not diminish. However, American economic aid had begun to decline after reaching a peak in 1958, which damaged the economy of South Korea in 1959 and 1960 (See Table III-3).

Table III-3 Aid received in the 1950s

	Unit: \$ millions						
Year	1954	1955	1956	1957	1958	1959	1960
Aid	179.9	236.7	293.7	382.3	321.3	222.2	245.4
Imports	243.3	341.4	386.1	442.1	378.2	303.	343.4
Aid/Imports (%)	73.9	69.3	76.1	86.6	84.9	73.1	71.4

(ROK. Bank of Korea, 1960).

Rhee was reportedly a concern for the US due to three issues, according to a US Congress document: (1) ‘The security of ROK against new hostilities, including any provoked by rash South Korean initiatives, (2) reconstruction of the economy; and (3) stable government’. Rhee was criticised as an origin of regressive political and economic policy which aggravated the economic and political stability of South Korea although the US had provided economic aid to South Korea in the 1950s (USA. Congress, 1978, 17).

Table III-4 US economic aid to Korea in the 1950 (US\$ million)

Year	GNP(A)	US aid (B)	B/A (%)
1953	1,361	194	14.3
1954	11,467	154	10.5
1955	1,414	237	16.8
1956	1,459	327	22.4
1957	1,672	383	22.9
1958	1,897	321	16.9
1959	1,980	222	11.2
1960	1,996	245	12.3

(Shin, D.-m., 2003, 48).

As Table III-4 shows, USA aid played a critical role in the Korean economy in the 1950s. However, the heavy reliance of South Korea on US aid had become an origin of the collapse of Rhee's regime. In 1956, the US warned that 'American economic aid was not accorded on the basis of friendship but as a contribution to winning the cold war' in a Korea-US diplomatic channel (USA. National Archive, 1956). Two years after the warning, the US put economic considerations in priority over military strategy in US Far East Asian foreign policy and diplomacy, which reduced economic assistance to South Korea (Lee, S.-h., 2006, 155-156).

In April 1960, Rhee's regime was abruptly toppled by student uprisings against Rhee's corruption and a state attempt to rig an election in 1960 (Eckert *et al.*, 1990; Cumings, 2005). As to the student revolt, the corruption in the election had a direct impact on the formation of a 'university-press nexus' against Rhee's regime (Moran, 1998, 169). However the US estimated that the failure of economic growth to meet job demands from the rapid expansion of higher education in the 1950s was the fundamental factor (USA. Congress, 1959, 114).

Subsequent to the collapse of Rhee's regime, the Korean National Assembly modified the Constitution to abolish the Presidential system and adopt a British-styled parliamentary government. The short-lived Second Republic (1960-1961) ensued. Chang, Myŏn was elected as a Prime Minister of the fledgling parliamentary government. However, the Second Republic became embroiled into a warring factional split among the ruling party. Chang's regime collapsed due to his ineptitude in restoring political stability. Moreover, the Kennedy

Administration did not wish to support Chang's weak regime. The moralistic and idealistic image of the Kennedy Administration was not found in the foreign policy towards South Korea (Kwak, T.-y, 2006, 68).

4. Intervention of the 'modernisation theory' into South Korean democracy

By the late 1950s, the American policy makers decided to transform their Asian foreign policy from economic aid to the promotion of economic development and political stability. President Kennedy maintained the 'Charles River Group' a consulting group that consisted of scholars in line with the modernisation theory (Gilman, 2003; Ekbladh, 2003).

The modernisation theory was an American intellectual attempt to draw a general law of social development from the experience of Western civilisation. It had emerged from academic circles in Harvard and MIT and other American universities in tandem with the collapse of European colonialism and the rise of the US in global politics after the Second World War (Gilman, 2003, 2).

In particular, modernisation theory was under the influence of the 'Lipset hypothesis', the claim that democracy is a precondition for economic growth. The Lipset hypothesis had an influential impact on US foreign policy makers towards the modernisation process in Asia (Gilman, 2003; Latham, 2000). However, this view was distorted to argue that the non-democratic form could be provisionally allowed to produce an economic base for democracy (Lipset, 1959).

Some modernisation theorists stressed the role of the military in the Third World. Among them, Walt Rostow was an influential figure on American foreign policy to support a military role in the Third World. He stressed that a military dictatorship in developing countries could play the role of an agent for economic and social development (Ma, s.-y., 2001; Armstrong, 2000).

Rostow designed US foreign policy under the Kennedy administration. Rostow's idea on modernisation originates from his theory on the stages of economic growth. Rostow argued that economic growth was a five-stage process: (1) 'the traditional society', (2) 'the preconditions for take-off', (3) 'the take-off', (4) 'the drive to maturity', and (5) 'the age of high consumption' in his book, *The stages of economic growth* published in 1961 (Rostow, 1993, 4).

Rostow defined 'the take-off', the third stage in the sequence as 'the great watershed in the life of modern societies.' According to Rostow, two stages prior to 'the take-off' characterise those of pre-modernisation. The development of the traditional society does not

stray far from pre-Newtonian science and technology. Due to the lack of the availability of modern science and technology, the central features of the productivity of traditional societies were determined as follows:

Generally speaking, these societies of the limitation on productivity, had to devote a high proportion of their resources to agriculture; and flowing from the agricultural system there was a hierarchical social structure, with relatively narrow scope-but some scope for vertical mobility. The value system of these societies was generally geared to what might be called a long-run fatalism (Rostow, 1993, 1993, 5).

The second stage of growth involves the period when the preconditions for take-off are developed. For Rostow, in the case of Western Europe, 'the insights of modern science began to be translated into new production functions in both agricultural and industry, in the setting of the dynamism of the lateral expansion of world markets and international competition'. However, in the general case for modern history, Rostow argued that it springs from the galvanic factors from outside society:

The more general case in modern society, however, saw the stage of conditions arise not endogenously but from some external intrusion by more advanced societies. These invasions - literal or figurative-shocked the traditional society and began or hastened its undoing (Rostow, 1993, 6)

For Rostow, the stage of 'take-off' is the key process of modernisation. It means 'the interval when the old blocks and resistances to steady growth are finally overcome. The forces for economic progress, which yielded limited bursts and enclaves of modern activity, expand and come to dominate society'. Rostow criticised US foreign policy towards Asia as having problems in three aspects. First, the US had no interest in Asia although 'where the communist bloc intended to expand is Asia' in the 1950s (Rostow, 1955, 6-7; 1960, 337).

Secondly, American foreign policy towards Asia was strongly military biased in contrast to the American aid to Europe which consisted of both military and economic aid in the form of NATO's Marshall Plan. According to Rostow, 'America had devoted itself to military aid against the communist bloc, rather than supporting the development of stable and effective societies' (Rostow, 1957, 2-11). Third, he stated that America should devote itself

to promoting economic growth in Asia. He stressed that a transition in American foreign policy towards Asia is necessary to keep a balance between military and economic aid:

The United States interest in Asia means, in the end, that we face complex and difficult tasks. We must be prepared to meet challenge of raw military power when it is used against us, as in Korea... Simultaneously, we must bend our creative efforts by every possible means and over a long time toward building economic and political strength in the societies of Free Asia (Rostow, 1955, 6-7).

From his critical analysis, Rostow suggested a 'New Look' on foreign policy in which he called for US public investment on long-term loans for economic planning instead of economic grants as in the 1950s (Rostow, 1957, 126-128). Furthermore, Rostow stated that the emergence of new leading groups was necessary for economic development plans. According to Rostow, the groups should be autonomous from any connection to the structure of traditional production like the military and intellectuals. Therefore, Rostow believed in a leading role of the military offices for the mobilisation of economic and social development in developing countries. He highlighted the social mobility of the military system. The conscription system recruits young talents from the rural areas and promotes them to a higher social status through the experience of modern rationality, technology and administration during their service. As a high-level advisor in the Kennedy Administration, Rostow directly intervened in Korean affairs to apply his theory of economic stages in the 1960s (Armstrong, 2000; Lee, S.-d., 2001; Ma, S.-y., 2001).

Based on this background, the US was becoming more inclined towards military rule in Asia in the late 1950s. According to a US Congress report in 1959, the US implied that the possibility of a transitional compromise with dictatorships as an alternative to civilian government was 'perhaps a case to be made for 'benevolent despotism' in Korea. Democracy may not be feasible in a society with the internal problems and external threats faced by the Republic of Korea' (USA. Congress, 1959, 114). The same document also offers the role of the military as an agent for 'benevolent despotism' in forming political and economic stability:

In a broader sense, it is legitimate to ask whether Korea will follow a pattern set elsewhere, and replace civilian parties with military rule. This is possible, but the odds seem somewhat against it, at least for the present. Currently, no military man has

great political prestige or organisational strength in Korea. Within the army, there are many ambitious men. But up to the date, the military have been instruments rather than masters of civilian government intent (USA. Congress, 1959, 115).

In 1960, the USA referred to Ne Win (1919-2002) a Burmese politician and military commander in a diplomatic channel between Korea and America as ‘Our [American] stake are viewed as large in Korea, they are even larger world-wide in relation to Korea... At least in our minds we must keep actively before us possibility... must require Ne Win-type of interim control, in clear intent’ (USA. Dillom, Telegram from the department of State to the embassy in Korea, 5, May, 1960). Ne Win was a Burmese general who had exerted a considerable influence in Burmese politics in the 1950s. He seized political power in 1962 through a coup to rule Burma for 26 years under a military-style dictatorial rule (Cheong, Y.-m., 1992; 146-148; Bourdreau, 2004).

From this background, in 1960, the Kennedy Administration inaugurated a program of ‘nation-building’ and economic development for South Korea based on the modernisation theory and Rostow’s economic theory. The American policy makers outlined the ‘major thrusts of US efforts over the next decade’ in a memo called ‘Action in Korea’: (1) ‘crash economic development’, (2) ‘creation of high labour-intensive industry’, and (3) vigorous US actions ‘in directing and supervising ROK economic development’ (Cummings, 2005, 310-311). In addition, the 1960 National Security Council (NSC) paper redefined the US long-ranged objective as:

A unified Korea with a self-supporting, growing economy, possessing a free, independent and representative government responding effectively to popular aspirations and dealing effectively with social problems, oriented toward the United States and Free World, and capable of maintaining internal security (Macdonald, 1992, 27).

As ‘Action Korea’ was being prepared by the Kennedy Administration, McConaughy an American diplomat in Seoul requested that the US should prepare a contingency plan for changes in the Korean political structure in March 1961. He supported military force for establishing political stability in his telegram from Seoul to the USA as ‘ROK armed forces

constitute key factors providing stability for the immediate future' (USA. McConaughty, 1961, 11 March 1961; USA. Korea Task Force, 1961).

5. Collapse of democracy and era of a pseudo-democracy (1961-1967)

From this background, General Park Chung Hee abruptly emerged in the Korean political arena by overthrowing the Second Republic by way of a military coup on 16th of May 1961. Although Park as a general was marginalised when it came to military promotions in the South Korean Army due to his past communist activities, he was respected among the younger officers who were dissatisfied with the massive congestion of candidates for military promotion to higher ranks. Among the high-ranking military officers, Park was one of those who had graduated from an elite Japanese military school equivalent to the four-year bachelor degree. Moreover, he remained free from corruption and belonged to no faction. Hence Park was a respected leader of the military coup (Henderson, 1968). 'The military junta was an uneasy coalition of senior army officers and marine officers, and field grade army officers, most of whom were members of the 'Eighth Class' and of officer candidates, commissioned in 1949' (USA. Central Intelligence Agency, 1962c).

When the coup took place, the Kennedy Administration adopted a 'wait and see' policy. However, some members of the Kennedy administration like Rostow and Samuel Berger, the US Ambassador to Seoul, were attracted to the military and peasant background of Park (Berger, 1966). At the time, scholars of American modernisation theory took note of the social composition of the military officers in the Third World. According to Janowitz, there existed a difference in the social strata of the military between Anglo-Saxon states and the newly developing states. In case of Anglo-Saxon states, the military profession and its elite members are recruited from the native-born middle and upper classes: 'The American military have many of the characteristics of the business and political elite. They would be heavily recruited from native-born Anglo-Saxon, and upper social stratum parentage. Upon social stratum would not mean the most elite business families, but rather the prosperous, the professional, and the upper middle-class' (Janowitz, 1960, 81).

In contrast, in underdeveloped countries, Janowitz saw that the military recruited the youth from middle and lower middle-classes mainly from rural areas and hinterlands in comparison with the Western professional armies. Hence, the military recruitment from the lower classes became an element of the state's autonomy from the resistance of the traditional elites to modernisation (Janowitz, 1964).

At the time the South Korean military force had been entirely dependent on US aid except for the personnel. Korean military officers consisted of elite cadets from military schools. Most of them came from poor rural communities. For US experts on Korea, the Korean military was insulated from the influence of the traditional elites, powerful business groups and the backwardness of traditional society. They regarded that the 'steady population drain' of the rural peasant areas through the military could fuel economic development (Gilman, 2003, 233). To the American interest in the social background of the military coup leaders, Woo (1991) commented:

These [Park and his followers] were men of peasant origin and harbored, like ultranationalist Japanese officers in the 1930s, a peasants' suspicion of the wealthy. When they thought of capitalism, they thought of a conspiracy of the rich; when they entertained the notion of economic development, they thought of a rich nation and a strong army, and wartime Japan came to their minds; and when they awakened to the need for domestic resource mobilisation, they badgered the rich and forced citizens, through campaigns and edicts, to salt away chunks of their salaries (Woo, 1991, 81).

In addition, the US military leaders who had served in the Korean War lobbied to support Park. General James Van Fleet was a typical figure who strongly endorsed Park (Brazinsky, 2007, 121-122). Park also attempted to get US recognition, as a symbol of the legitimacy of his military coup, by accentuating his commitment to anti-Communism, economic development and his humble rural origins. Park stressed his commitment to economic development and anti-Communism as major objectives among his six pledges after his military coup on 17 May 1961:

1. Anti-Communism will be the cardinal point of national policy and the nation's anti-Communism alignment.
3. All our efforts will be made of the reconstruction of a self-reliant national economy.

In contrast to Rhee's lack of commitment to economic growth, Park himself highlighted that the purpose of his coup was for economic growth and not for any political reasons in a catchphrase of 'economic self-sufficiency and prosperity' for justifying the coup in his speech after the coup:

I want to emphasise, and re-emphasise, that the key factor of the May 16 Military Revolution was to effect an industrial revolution in Korea... My chief concern, however, was economic revolution... Without a hope for an economic future, reforms in other fields could not be expected to yield fruit. At the risk of repetitiveness, I must again stress that without economic reconstruction, there would be no such things as triumph over Communism or attaining independence (Park, C. H., 1970b, 173)

Park stressed the peasant origin of his military coup to identify his regime with being peasant-supported and independent from the traditional social structure in pursuit of modernisation. Park claimed that spirit of his military revolution was in line with the *Tonghak* peasant rebellion:

The Military Revolution [Park called his coup Military Revolution on 16 May.] on 16 May is in line with *Tonghak* Revolution in an ideological aspect. Although the *Tonghak* revolution failed, it has become a milestone for demolishing the legacy of feudalism in the modernisation of Korea (Park, C. H., 4 October 1963).

According to a US Congressional report, Park's pledges for the commitment to economic development were appealing to those in the Kennedy administration so that they accepted the coup as *a fait accompli* (USA. Congress, 1978, 19-22; Ma, S.-y., 2001, 118). Afterwards, the Kennedy Administration began to have expectations of Park's regime. According to US estimation on Park in a telegram from Seoul to Washington on 28 October 1961, the military government had no 'popular base' and there is 'little evidence of positive popular enthusiasm'. However, the Kennedy Administration expressed their expectation of the military regime thus:

Many reforms are constructive and some long urged by American advisors. Others while well-intentioned have been too hastily developed or are poorly implemented... Military government's efforts to deal with wholesale graft, bribery and corruption in government and business, smuggling, large-scale diversion of military supplies, hoodlum terror, and police and press blackmail of individuals are genuine and are producing results. Vigilance against communist subversion and quality and volume anti-communist propaganda have greatly improved (USA. Department of State, 1996, 522).

The expectation of the American administration on the South Korean military regime is represented in a declassified document of the USA:

Prior to the coup the USA was endeavouring... 'to spur a liberal and well-intentioned, but weak, administration into more resolute action on basic economic and social problems'. Now we are faced by a tough, authoritarian, nationalistic regime which may be capable of overriding the political obstacles to action on Korean problems... . Our own economic assistance programs have lacked a clear economic development purpose and had been inadequately administered. In the case of the new military regime we are somewhat more confident about capabilities, at least to initiate reform measure (USA. Memorandum by Robert H. Johnson of the National Security Council Staff, Kennedy Library, National Security Files, Countries Series, Korea, General, 6/61, 1961).

In addition to the American expectation on the role of the military for modernisation, the USA foreign policy makers harboured a long desire for normalisation of Japanese-Korean relation with integration of Korean economy to Japanese regionalism. At that the USA was considering involvement into Vietnam, the massive economic aid to South Korea was a burden for the Kennedy Administration. Hence, the USA wished that Japan should play a leading role in the region to alleviate the onus of sustaining South Korean regime. However, the rapprochement between Japan and South Korea had been deferred due to strong anti-Japan sentiments. For the USA, Park's strong inclination for the Japanese model could overcome the public opposition to Japan (Yi, 2002, 633).

However, the Kennedy Administration was faced with difficulties in defending the military regime in South Korea. First, Khrushchev, the Soviet leader charged Kennedy with supporting the military regime in South Korea in a meeting in Vienna on the 3rd of June 1961 (USA. Department of State, 1998, 186). Moreover, The US Congress pointed out critically that the massive economic and military assistance of the US to South Korea resulted in a military dictatorship in South Korea. As to this criticism, the Kennedy Administration responded that 'the military government was only a temporary arrangement' (Ma, S.-y., 2001, 146). A dialogue illustrated the position of the Kennedy Administration between Senator Gore and Samuel Berger, Ambassador designated to South Korea in a testimony before the Senate Foreign Relations Committee:

Gore: Then you would continue giving economic and military aid to the military Junta of South Korea

Berger: Yes, sir.

Gore: Do you think that strengthens the forces of democracy, the forces of freedom

Berger: I do not see what the alternative is, sir... I think we will... indicate to them the view... that we do not regard this type of arrangement as a permanent arrangement, as desirable (USA. Congress, 1961, 547-589)

Park was expected to perform a provisional mission to lead an economic take off and to normalise diplomatic relations with Japan in order to produce political and social stability and usher in a return to democracy. Park had established The Supreme Council National Reconstruction (SCNR). The SCNR promulgated the Law Regarding Extraordinary Measures for National Reconstruction on 6 Jun 1961. Although, the original constitution was not formally suspended, the Law Regarding Extraordinary Measures for National Reconstruction superseded the existing constitution in the case of conflict (Kim, S.-j., 1971, 104-105).

In spite of the USA tacit support for Park, popular acceptance of the coup was mixed. While the Korean people accepted the coup without resistance, military rule was unpopular due to deep-seated Confucian culture. Moreover, coup leaders were marginalised military officers and their social backgrounds were from low origins (Kim, E.-g., 1975, 303). Park and his military coterie knew that they were not popular and were limited in their abilities. Hence, Park embarked on an institutional reform to overcome their limits. On the 19th of June 1961, the Korean Central Intelligence Agency (KCIA) was established to ‘supervise and coordinate the international intelligence activities and criminal investigation by all government intelligence agencies, including that of the military’ (Decree no. 619, 1961).

The KCIA was a product of Colonel Kim, Jong-pil, a member of the military coup and a relative to Park through marriage. The role of the KCIA was expanded to all aspects of life in South Korea and Koreans living abroad. The KCIA under the direct control of Park was used for Park’s political and economic purposes during Park’s regime (USA. Congress, 1978, 22-23; Kleiner, 2001, 134).

The newly organised state apparatus was mainly composed of bureaucrats who had previously been former military officers and technocratic bureaucrats. Furthermore, the leaders of Park’s regime were relatively younger and were represented for a large part of more rural backgrounds than those in Rhee’s regime. Unlike previous governments, there was

a conspicuous increase in the recruitment of military officers. Pak recruited the military officers to the cabinet to alleviate the conflicts among the military factions (USA. Central Intelligence Agency, 1961) (See Table III-5, III-6, III-7 and III-8).

Table III-5 The military-background ration of Korean cabinet Ministers 1964-79

Year	Total Cabinet Minister	Military-background	Rate
1964	18	7	38.9
1965	18	8	44.4
1966	18	7	38.9
1967	19	8	42.1
1968	19	8	42.1
1969	20	9	45.0
1970	20	10	50.0
1971	20	9	45.5
1972	20	7	35.0
Sub-total	172	73	42.4
1973	20	7	35.0
1974	20	8	40.8
1975	20	9	45.0
1976	20	6	30.0
1977	20	6	30.0
1978	21	5	23.8
1979	21	4	19.0
Sub-total	142	45	31.7
Total	314	118	36.6

(Kim, J.-p., 1988, 102).

Table III-6 Percent distribution of members by age compared between Rhee and Park regimes

	Over 80	70-79	60-69	50-59	40-49	30-39
Rhee's regime (age of 1959)	1.4	4.7	29.1	38.5	24.3	2.0
Park's regime (age of 1961)	0	0	1.7	3.5	55.2	39.6

(Hahn, B.-h. and Kim K.-t., 1963, 314).

Table III-7 Cabinet Ministries: urban-rural birth in percentage

	Rhee's regime (1948-1960)	Change's regime (1960-1961)	Park's regime (1961-1973)
Seoul	52.54	26.67	25.53
City over 100,000 (in 1930)	3.39	13.33	8.51
City over 20,000 (in 1930)	1.69	.0	.0
Rural-all Others in Korea	42.37	60.00	65.96
Foreign	.0	.0	.0
Total	100.0% (59)	100.0% (15)	100.0% (47)

(Kim, E.-g., 1975, 306).

Table III-8 Cabinet Ministries: level of civil education

	Rhee's regime (1948-1960)	Change's regime (1960-1961)	Park's regime (1961-1973)
Primary or less	1.0	0.0	0.0
Secondary	23.3		16.2
College or University	72.8	95.2	71.6
Postgraduate	2.9	4.8	12.2
Total (Base)	100.0% (103)	100.0% (21)	110.0% (74)

(Kim, E.-g., 1975, 309).

According to US governmental analysis, Park had distributed government positions to military officers to tackle severe factional struggles inside the military (USA. Classified Telegram from Embassy of Seoul to Department State, 17 August 1962). Saliently, the educational backgrounds of Park's regime are significant. More than 10 percent of members of Park's regime were technocrats reflected by the high proportion of postgraduate education (Kim, E.-g., 1975, 308).

Moreover, the Economic Planning Board (EPB) was found to have become a 'super agency' in the economic department, equipped with a centralised institutional control over a variety of policy instruments in July 1961. It had comprehensive powers to coordinate economic policy through its control over the budgetary process, foreign exchange, finance,

and trade policy. Under the control of the EPB, the existing economic institutions: Ministry of Trade and Industry (MTI) and the Ministry of Finance (MOF), both established in 1948, controlled companies financially through instruction and supervision companies (Cheng *et al.*, 1998, 101).

Along with the consolidation of the economic planning structure, Park forged closer relations between the executive, the economic policy machinery in government and the military officer corps by sharing weekly briefings on the state of the economy and adopting a system of military-developed ‘planning and control offices’ into government in 1961 (Haggard *et al.*, 860-861; Evans; 1995; Kohli, 2004).

Park’s state apparatus was an emulation of the Japanese fascist wartime system to catch up with the advanced Western states. Having been trained at Japanese military academies in the 1930s and 1940s, Park did not have any respect for academic theories of Western mainstream schools. In economic policy, Park relied on experts who had been educated in Japanese schools and military academies, employed in various Japanese governmental institutions and banks in the 1930s and 1940s (Woo, 1991; Lee, Chung, 2005, 259).

In 1962 Park introduced financial policy measures which revamped financial institutions with the aim of achieving autonomy from political influence and enhancing the ability of economic technocrats. Park nationalised the private banking sector and turned the Bank of Korea into a central bank under the direct control of Park. In addition, Park imposed strict controls on foreign exchange (Woo, 1991, 84; Zhang, 2003, 63).

As to Park’s nationalisation of financial institutions, US economic advisors attempted to reverse Park’s radical action. They recommended liberalising the financial institutions to make them similar to the free market financial system of the US. However, Park strongly rejected this external challenge (Lee, Chung, 2005, 259).

Under the guiding hand of the EPB, Park’s regime performed state-directed economic growth by launching the First Five-Year Economic Development (1962-1966) and an export-oriented strategy (Jones and Sakong, 1980, 48-49; Haggard *et al.*, 1991). However, when it came to Park’s adoption of a planned economy and its transition to an export-oriented strategy, there was a conflict between Park and American economic advisors. From the outset of his rule in the 1960s, Park had a strong inclination towards import-substitution and heavy industry (Kim, T.-h. and Baik, C.-j., 2011, 68; Kimiya, 2011).

In particular, Park was heavily galvanised by the heavy industrialisation of North Korea under their Five-Year Economic Plan in the 1950s (O, W.-c., 2012). Under the

influence of the Marxist economic theory of Fel'dman- Mahalanobis model, in the 1950s, Mainland China, North Korea, and India started their industrialisation with a focus on heavy and capital intensive-goods. G. A. Fel'dman was a Soviet economist and C. Mahalanobis was the key economist in India's Second Five Year Plan. The essence of the Fel'dman-Mahalanobis model is emphasis on increasing investment in the heavy industry sector at the expense of consumption in the early stages of industrialisation (Oshima, 1983, 1-2; Dasgupta, 1993, 164-166).

When Park's regime prepared the First Five-Year Economic Plan in 1962, it explicitly represented the nature of Park's economic policy as an attempt by the state to develop 'guided capitalism' in which the state shall either directly participate or indirectly render guidance to the basic industries and other important fields' (ROK. Economic Planning Board, 1962, translated by Shin, D.-s, 2003, 55). The 'guided capitalism' denotes state-intervention to the economy by 'economic policies' based on the principle of free enterprise, respecting the freedom and originality of private citizens' (Kim, S.-j., 1971, 118). Devoid of any well-established theoretical knowledge, 'the plan called for constructing a self-reliant economy through inward-looking import-substitution industrialisation and identified the creation of heavy and chemical industries as the engine for growth' (Kim, T.-h. and Baik, C.-j., 2011, 75).

Washington responded to Park's ambitious plan negatively. The US suspected some members of Park's economic staffs to be Marxists due to the influence of Fel'dman-Mahalanobis (Macdonald, 1992, 293). Considering South Korea's short supply of capital and technology, the objective of heavy industry was an irrational policy. Furthermore, Park's regime undertook currency reform and stock market speculation in 1962 to raise funds for heavy and chemical industry. Afterward, the US forced Park to accept light industry based economic growth and an export-oriented strategy (Kim, T.-h. and Baik, C.-j., 2011, 75).

In response to the strong pressures from the Kennedy Administration, Park ended the military rule to return to democracy. On 15 October 1963, 1963, Park ran for the presidential election in which Park was elected by a narrow margin. Park got 46.7 percent of valid votes, and former President Yun, Po-Sŏn received 45, percent. In Seoul, Park had particularly low support. Park took only 30.2 percent of the votes in Seoul while Yun (65.1 percent) and the other candidate won 77.5 percent (Kim, S.-j., 1971, 122; USA. Congress, 1977, 25).

The Third Republic was officially born on the 17th of December 1963 (Nam, J.-h., 1982, 88). After assuming the Presidential office, Park restructured institutions for political purposes and economic development, all of which were characterised by an authoritarian,

centralised, and insulated nature of political institutionalism and state bureaucracy (Cheng *et al.*, 1998, 88; Haggard, 1990).

Around 1964, Park officially adopted the transition to an export-oriented development strategy. Park's political leadership was fully committed to driving the export of labour-intensive non-durable products to the US market in the 1960s. At the time, the comparative advantage of South Korea was based on abundant labour forces coming from the rural areas. From 1965 Park had begun to host monthly Export Promotion Meetings with cabinet members and executives, and summoned businessmen. With the president presiding, the meeting provided a quasi-formal nexus between economic ministers and business leaders to form a comprehensive policy to promote exports (Haggard *et al.*, 1991; Hwang, K., 1996, 309; Kim, B.-k., 2011 p, 151).

South Korea benefited from economic aid from its normalisation of relations with Japan and its participation in the Vietnam War. With the emergence of Park's regime, the US quickly encouraged normalisation with Japan with the aim of reducing the American economic burden in Korea. In a NSC meeting with Kennedy on the June 13, 'Walter McConaughy, who had just returned from his ambassadorial position in Seoul, argued that the failure to re-establish relations between Japan and South Korea was the greatest hindrance to Korean development' and that the principal mission of US should be 'an attempt to establish a reconciliation between the two countries' (Yoshi, 2009, 49).

President John F. Kennedy strongly encouraged Japan to cooperate with economic aid for Korea in 1962 and President Johnson exercised influence on South Korea and Japan. The US expected that friendship and cooperation between South Korea and Japan would reduce the US burden (Koo, Y.-n. and S.-j. Han, 1985, 149). In particular, the escalating influence of China concerned the USA as 'The growth of Chinese power made it more urgent than ever before,... Normalisation of relations between the two countries would be the first step toward closer future political and military cooperation among the ROK, the United States, and Japan'. In 1964, President Park and Secretary of State Dean Rusk discussed the influence of China and agreed that the normalisation of diplomatic relations between South Korea and Japan would contribute to the interest of those nations in the region (Kim, K.-b., 1971, 81).

Japan was also concerned about the sway of communism as commented by *Asahi Shinbun*, a Japanese newspaper: 'To help the ROK will be to strengthen the bulwark of the anti-communist forces against North Korea and communist China. If the ROK is controlled by North Korea and... Japan will be flooded by mountainous waves of communist forces' (cited in Kim, K.-b., 1971, 82). Moreover, according to Yasuhiro Nakasone, a former

Japanese Prime Minister, Japan considered the relationship with Korea in terms of an expansion of Japanese regionalism in Asia:

Japanese culture originates from Korea. Two countries are positioned at the same place in cultural terms. Due to threat of North Korean communists, strengthening South Korea through Japan-Korea normalisation was necessary for Asia. There the values like liberal democracy and market-economy were included. For Far East Asia, Korea and Japan belong to a yolk in Asia, so the cohesive alliance of two countries becomes a foundation for democracy and economy in the Asia-Pacific. We [Japan] pursued the process with belief that the two countries share a common destiny (Nakasone, 1993).

In 1965, in spite of strong resistance of opposition parties and university students, South Korea and Japan normalised diplomatic relations which had been severed since 1945. Through the conclusion of a normalisation treaty, South Korea received \$800 million in reparations from Japan. The total figures consisted of \$300 million in grants, \$200 million in government loans, and \$300 million in commercial credit. Afterwards, the normalisation of relations with Japan provided an impetus for the acceleration of economic growth through the expansion of markets and the influx of capital and technology from Japan (Woo, 1991).

Table III-9 Main source of destinations of Korea's trade (%)

	Exports		Imports	
	Japan	United States	Japan	United States
1960-62	49	17	23	48
1963	26	35	39	37
1967	26	43	45	31
1968	22	52	43	31
1969	21	50	41	29

(Castley, 1997, 195).

With economic support from Japan, trade patterns of South Korea witnessed a reverse of destinations of imports and exports. Before the normalisation, South Korea mainly relied on imports from the United States and her exports to Japan. In the late 1960s, market in the United States has become a main destination of exports (See Table III-9).

Table III-10 Shares of Japan and South Korea in the USA market

	From Japan 1966	From S. Korea 1966	From Japan 1971	From S. Korea 1971
Clothing/Textiles	36	3	22	13
Clothing	20	2	13	14
Plywood	37	17	21	37
Footwear	26	3	12	4
Other manufacturers	21	7	17	18

(Chibber, 2003, 79).

This shift of the pattern was produced with strategies of Japanese firms. South Korea entered the light industries which Japan had already vacated. As South Korea benefited from Most Favored Nation trade status with the US, Japanese firms of labour-intensive sectors invested in South Korea to bypass US trade restrictions on Japan, which brought Japanese capital and technology into South Korea. This triple pattern between Japan, South Korea, and the USA had been maintained until the late 1980s (Chibber, 2003, 78).

In the same year, the South Korean army became involved in the Vietnam War. South Korea sent in rotation more than 300,000 troops throughout the war. In exchange for a commitment of South Korean troops, the US had promised to compensate with: (1) increased economic and military assistance to South Korea; (2) an increase of US procurement of war materials from South Korea; and (3) A NATO-type security alliance between South Korea and the US (Kwak, T.-y., 2006, 87).

American direct payments to South Korea amounted to more than one billion dollars from fiscal year 1965 to 1970 (Kim, S.-j., 1970, 529; Woo, 1991, 93-97). South Korean involvement had produced a profitable export market for non-durable military-goods like uniforms and canned foods. As Table III-11 shows, the Vietnam War had provided a variety of markets for exports and construction services (Son, B.-n., 1990, 75; Woo, 1991; Shin, D.-m., 2003; Kwak, T.-y., 2006).

Table III-11 South Korean earnings from Vietnam War, 1966-1968

Type of earnings	Unit: millions of dollars		
	1966	1967	1968

Commercial exports	13.8	7.3	5.6
Military goods sales	9.9	14.5	30.8
Construction and service contracts	12.3	43.5	58.4
Remittances:			
Civilian	9.7	40.6	38.4
Military	13.2	30.0	34.4
Others	0	8.8	4.6
Total	58.9	144.7	172.2
Total receipts from exports of goods and services plus private transfers	558.	744.8	993.0
Vietnam earnings as % of total	10.6	19.4	17.0

(Cole and Lyman, 1971, 135).

The increased availability of foreign funds from the Vietnam War had an impact on South Korea in economic and political terms. Economically it expanded the ability of South Korean economic activities and had a multiplier effect on the domestic economy by accelerating industrial expansion and consumer demand. The political side of South Korea's involvement in the Vietnam War had a complicated impact. It enhanced the political position of President Park but triggered rising tensions with North Korea (Kim, S.-j., 1970, 520-524). The American attitude towards Korea changed so that it was seen as 'a close friend and ally that is contributing so much to the common cause' not just 'a burdensome military protectorate with which the USA is reluctantly tied to' (Kim, S.-j., 1970, 529).

The contribution of South Korea to the Vietnam War led the US government to regard Park's regime as being 'benign authoritarianism'. Moreover, the US interfered in the Presidential elections of South Korea to support Park in 1967. As to the American attitude, Mackenzie a British ambassador of the UK in Seoul commented: 'In the anxiety to obtain more troops for Vietnam the Americans, willy-nilly, are interfering in the local scene and in the process are leaning towards the Government - an understandable attitude, but one which may stir up trouble for them in the future' (Mackenzie, cited in ROK. National Museum of Korean Contemporary History, 2013, 158).

Furthermore, US aid to South Korea also had the intent of influencing the presidential elections of 1967. According to declassified documents of the US, following the assassination of President Kennedy, the Johnson Administration commented on the positive effects of Park's decision to become involved in the Vietnam War on the presidential election in 1967:

As to what our attitude would be in the forthcoming [1967 presidential] election, I said that again. We do not want to appear to be interfering in another country's domestic politics. However,... it must be clear to President Park... that President Park had earned the gratitude and affection of US leaders for his prompt and vigorous response to our requests for assistance in Vietnam... In the absence of any conceivable alternative political leadership there could hardly be any doubt on that we hoped for the re-election of President Park in 1967 (USA., Secret, NARA, Lot files 66D503 and 69D54, POL 2 KOR S, 14 January 1966).

As Table III-12 shows, the South Korean economy witnessed GNP growth of 8.5 per cent per year in the First-Five-Year Plan (1962-1966). This rapid growth was led by the expansion of labour-intensive light industries (Song, B.-n., 1990, 65-67; Sakong, 1993, 37-43; Shin, D.-m., 2003, 56). In response to economic growth, Park established the Office of National Tax Administration (ONTA) to put tax collection and the government budget under his direct control (Brazinsky, 2007, 143-144; Kim, C.-y., 138-140). The largest absolute change in sectoral production in the economic growth of South Korea from 1964 to 1973 was found to be in exports (33 percent) rather than domestic final demand (31 percent) (Song, B.-n., 1990, 65-66).

Table III-12 Main economic indicators during the First and Second Plan (%)

	First Plan (1962-1966)		Second Plan (1967-1971)	
	Plan	Performance	Plan	Performance
GNP growth	7.1	8.5	7.0	11.4
Investment as share of GNP	22.6	16.9	19.0	30.6
Domestic savings as share of GNP	9.3	6.7	11.6	15.5
Foreign savings as share of GNP	13.3	10.2	7.4	15.1

(Shin, D.-m., 2003, 56).

To summarise the rise and performance of Park's regime in the early 1960s, Park's ascendancy was a product of the US geopolitical strategy during the period of the Korean War to the Vietnam War. President Rhee persistently refused to comply with the American demand for an integration of South Korea into the Japanese economy, which damaged the South Korean economy in the 1950s. Park seized the opportunity through manifesting his commitment to conforming to American strategic guidance. The South Korean economy had

taken off through adopting economic growth based on the export of labour-intensive non-durable products in light industries. This growth had contributed to alleviating the burden of the US geopolitical strategy during the Vietnam War.

6. Escalation of ‘state of emergency’ of South Korea (1967-1972)

On the 3rd of May 1967, Park was elected to his second four-year term. He won 51.4 percent while the leading candidate of the opposition party won the 41 percent. According to a US document, the election was generally fair but funds, personnel, and public resources were stolen to support Park (USA. Congress, 1978, 28).

Park’s strong commitment to economic growth had been a cardinal priority for justifying his overthrow of civilian democracy by a military coup. Park’s economic policy was apparently successful. However, the success became the origin point of Park’s troubles in the 1970s. The US Congressional document commented on Park’s economic achievement during his first term 1963-67 as:

It was clear by 1967 that Korea had made marked economic strides and was very close to becoming self-sufficient. Ironically, while self-sufficiency was a goal of both countries, that prospect produced uneasiness on both sides and resulted in considerable tension over the coming decade (USA. Congress, 1978, 25).

From 1967 to 1972 South Korea underwent a turbulent period. In the summer of 1967, an important event known as ‘East Berlin Spy Incident’ took place, which exerted a substantial influence on South Korea. In 1967, the agents of KCIA kidnapped more than 200 Korean people living in Europe and forcibly brought them to South Korea. Park’s regimes indicted them for espionage through maintaining contacts with the North Korean embassy in East Berlin. This event triggered a serious German-Korean conflict. The West German government strongly protested against the violation of German sovereignty by the South Korean government. Furthermore, the West German government requested that the kidnapped Koreans should be returned to Germany. Ultimately, Park accepted the West Germany’s request. It is generally argued that Park’s regimes had fabricated the incident to exaggerate the North Korean threat (Kleiner, 2001, 397-398, Seth, 2010, 184).

Table III-13 Military provocations by North Korea in the DMZ area, 1967-1970

	1965	1966	1967	1968	1969	1970

Total of incidents	88	80	784	985	188	181
Total casualties and captured	114	112	785	841	156	104

(UN. General Assembly, 1970).

On the other hand, North Korea unusually increased military activities in the Demilitarized Zone (DMZ) between North and South Korea, which caused casualties at prewar levels from 1967 to 1968 (See Table III-13). As to the increased activities of North Korea, a declassified CIA secret documents offered explanations on the motives of North Korea. In the 1950s, the excellent progress of economic growth in North Korea ‘aroused admiration among some students and intellectuals, who were discouraged by their own relatively modest economic advances under Rhee and by the prospect of prolonged dependence on the US’. Hence, propaganda on the superiority of the North Korean system was effective. However, by 1965, the South surpassed Northern rates of growth in most industrial sectors and agricultural sectors. Hence, North Korea had to turn to violence to cause social unrest (USA. Central Intelligence Agency, 1967, 4; 1968, 2).

Secondly, North Korea calculated that the diplomatic normalisation between Japan and South Korea in 1965 would boost economic gains in South Korea. The South Korea-Japanese relations irritated North Korea because increased Japanese influence on South Korea would form a military alignment in the future. North Korea wished to expose Japanese investors to security risks in South Korea to make them reluctant to invest in South Korea (USA. Central Intelligence Agency, 1967, 5-6).

Finally, there was the massive participation of 100, 000 South Korean military troops in the Vietnam War. North Korea was concerned that the Korean military was gaining valuable combat experience in Vietnam. Therefore, North Korea did not intend to trigger a large scale war but to cause local social unrest to reduce the number of South Korean soldiers dispatched to Vietnam (USA. Central Intelligence Agency, 1967, 6-7).

Among the provocations, two events were influential on Park. On 21, January, 1968, North Korean commandos attempted a raid on the Blue House, the presidential residence in Seoul, to kill Park. The commandos got through the DMZ and infiltrated the north part of Seoul. This clandestine operation was detected and heavy skirmishes broke out just within a kilometre of the presidential residence (USA. Congress, 1978, 54). Two days later, *Pueblo* the USA intelligence ship was captured by North Korea which claimed that the ship had intruded into the territorial waters of North Korea. As to these events, Park urged the US to

take resolute action by retaliating with pre-emptive air strikes against the North Korea. However, the Nixon Administration declined Park's demand (USA. Congress, 1978, 54-57).

The reasons for the US' reluctance on military retaliation against North Korea were twofold. First, as the USA was involved in the Vietnam War, another full scale war for the US was too heavy a burden. In this particular situation, the US was concerned with North Korea's mutual defence treaties with the USSR and China, so the US was reluctant to provoke the USSR and China (USA. National Archives, Nixon Presidential Materials, NSC Files, NSC Institutional Files (H-Files), Box H-109, NSC Minutes, Originals, 1969-1970).

Park argued that the increase of North Korea's belligerence came from the stronger ties with China and the USSR through the mutual defence treaty. However, the US concluded that North Korea did not intend to invade South Korea and North Korea would avoid a full-scale war because both China and the USSR also wished to prevent North Korea from provoking a full-scaled war in Korea due to the treaty with North Korea. According to 'Special National Intelligence Estimate' a secret document submitted by Rufus Taylor, Deputy Director of Central Intelligence to White House on January 1969, the USA concluded that:

Under present circumstances, Pyongyang [North Korea] does not intend to invade South Korea; nor do we believe that Pyongyang is deliberately trying to provoke the Republic of Korea (ROK) (and/or the US) into a resumption of major hostilities... We believe that, even in these circumstances, North Korea would wish to avoid full-scale war... In our view, given no major change in Soviet or Chinese attitudes, both Moscow and Peking would probably urge North Korea to avoid a full-scale war against the United State (USA. Department of State, 2010, 1).

At that time normalisation of relations between China and the US had already become the first priority for the Nixon Administration (Nixon, 1967). According to a witness of Richard Allen, a chief foreign policy advisor to the President Nixon, the American policy makers wished to send a friendly signal to China by ignoring the increased provocations of North Korea in the late 1960s. America intentionally avoided triggering China by ignoring the increased military activities of North Korea (Allen, 2008). In April 1967, Nixon expressed his ideas about the need to reduce US military commitments in Asia and re-evaluate relations with China. Nixon enunciated the basic themes of his administration's policy towards Far East Asia as follows:

- I. The United States would honour its treaty commitments.
- II. The United States would provide the shield of the nuclear deterrent to those nations whose freedoms are threatened
- III. In cases of other types of aggression, the United States would furnish military and economic assistance when requested and appropriate, but nations directly threatened should assume primary responsibility for their own defence... we must avoid that kind of policy that will make countries in Asia so dependent on us that we are obliged into conflicts such as the one we have in Vietnam (USA. Congress, 1978, 59).

Furthermore, the Nixon Administration revealed a plan to withdraw 20,000 troops from South Korea scheduled in 1970 (USA. Congress, 1978, 33). Park went to America for a discussion with President Nixon from the 21st to the 23rd of August, 1969. Park stated his strong objection to Nixon's plan for the reduction of US military troops. However, Nixon ignored Park's grievances. The meeting was followed by a series of further negotiations in which South Korea demanded the modification of the Korea-USA mutual defence treaty so that it would be upgraded to the level of NATO and for increased support for the modernisation of the South Korean military forces (USA. Central Intelligence Agency, 1978; Kim, H.-a., 2004, 108).

Contrary to the American military commitment in Western Europe of collective defence, the principal approach of the US defence policy in Far East Asia was a mutual defence treaty concluded with Japan and South Korea respectively. Along with the dominant role of the US military, the defence for Western Europe was characterised by interdependence between members of NATO. In contrast, Japan and South Korea were unilaterally dependent on the US without any regional cooperation in defence. In addition to the individualism in defence, Article III of the mutual defence treaty does not guarantee automatic US involvement in the case of a conflict in South Korea. According to Article III, the USA does not need to be involved in a war in the Korean peninsula in contrast to the NATO treaty. It requires a constitutional process in the US. In the case of the US Constitution, only Congress has the right to declare war:

Each Party recognizes that an armed attack in the Pacific area on either of the Parties in territories now under their respective administrative control, or hereafter recognised by one of the Parties as lawfully brought under the administrative control of the other,

would be dangerous to its own peace and safety and declares that it would act to meet the common danger in accordance with its constitutional processes (ROK. Mutual Defence Treaty between the United States and the Republic of Korea; October 1, 1953, Article III).

If the US Congress opposes the entanglement of the US in a conflict in Korea, the US military presence becomes less effective. To guarantee the US involvement in Korean affairs, the Second Army Division of the US army was stationed on a potential route of invasion of North Korean troops near the DMZ, so that it effectively became a 'human trip-wire'. The 'human trip-wire' denotes the idea that some of the US military forces would be sacrificed at the early stage of the war if North Korea embarked on an invasion so that the US Congress would be forced to declare a war against the North in retaliation for the sacrificed US soldiers. This caused a human rights issue for US soldiers stationed as 'human trip-wires' in the US Congress (Kim, J.-h., 2011, 466). The issue on the automatic involvement of US forces in Korea was raised by the US Congress on the 9th of April 1970, with Senator Joseph Tydings's statement:

South Korea today, without the assistance of any US ground forces, possess the military manpower and resources to handle any invasion threat North Korea could pose in the foreseeable future, providing US air force is continued... having US forces on the DMZ as a 'trip-wire' violated the a provision in the U.C Constitution by which only Congress can declare war; for should the North Koreans invade across the DMZ, our front line division would trigger US participation in a ground war in Korea (United States. Congress, 1977, 64)

This statement heightened the Korean government's concern on the US Congress's will to assist South Korea in war. In contrast, if North Korea is attacked, the USSR and China would automatically intervene in the war. Park demanded a modification of the Article on the US involvement in Korean affairs to be equivalent to the level of NATO to counterbalance the military involvement China and the Soviet Union in North Korea. However, the US rejected Park's request (Chokukūi tūngpul, 1990).

Afterwards, Park used Nixon's plan to proclaim a crisis in South Korea because Park argued that President Nixon had betrayed a South Korea dealing with the increased

belligerence of North Korea with a reduction of US military forces (Pak Chŏng-hŭi Taet'ongnyŏng Yuk Yŏng-su Yŏsa Kinyŏm Saŏphoe, 1990).

However, it is difficult to argue that South Korea was facing a serious security threat. As to the reduction of the USA military force, the Nixon Administration estimated that the economic strength of South Korea could contribute to curtailing the burden of the US and that the threat of North Korea had diminished (USA. Congress, 1978, 33).

The table III-14 shows that South Korean dependence on the US had been declining considerably in the 1960s. Until the 1950s, the USA had provided most of the defence expenditure (more than 90%). By the early 1970s, Korea's military reliance on the USA had diminished considerably to a marginal share (O, W.-c., 2009, 67).

Table III-14 Korea's dependence on the USA aid

Year	Finance (%)	National defence expenditures (%)
1961	39.2	95.1
1963	34.7	70.0
1965	34.2	64.8
1967	19.1	51.2
1969	7.0	26.6
1970	5.1	16.1

(USA. Congress, 1970, 1629; O, W.-c., 2009, 67).

Despite the increased capability of South Korea, Park seemed to be more concerned on the possibility of a symbolic and psychological impact. The reduction of the USA military presence from South Korea could disrupt the Korean people psychologically (USA. Congress, 1978).

According to (2008), there was a general shift within Far East Asia from a focus on territorial conquest to a focus on domestic economic development which depended on a powerful US military presence in the later part of the 20th century. Since 1945, Japan had kept military expenditures below 1 percent of GDP. After the military coup, South Korea's Park Chung Hee drastically cut the military budget from 16 percent of GDP to 3 percent. In spite of Park's emphasis on anti-communism, Park had consigned the defence budget to the lowest priority in his development strategy, which influenced Deng Xiaoping to follow in example by cutting China's military budgets in the post Mao era (Zheng, 2005, 18–24; Overholt, 2008, 108).

Hence, it is more convincing that Park grasped the crisis of American hegemony, while exaggerating the North Korean security threat, in order to resume the heavy industrialisation that the US had prevented in the 1960s. The reason for Park's strong adherence to heavy industry originates from the industrial imbalance between North and South Korea.

One of the reasons given for Park's expansion of the heavy industries was similar in pattern to Nehru's pursuit of heavy industries in the late 1950s because of fear of China's heavy industrialisation in the early 1950s (Oshima, 1983, 2). North Korea predated this heavy industrialisation in the 1950s (Oshima, 1983, 34).

Park had always been obsessed with overcoming the superiority of North Korea in economic and military matters throughout his tenure. Since North Korea had begun heavy industrialisation in the 1950s, the economy of South Korea actually lagged significantly behind that of North Korea, which is why the South was described as 'agricultural' while the North was described as 'industrial' in the 1950s and 1960s (USA. Congress, 1959, 110-111; Oshima, 1983, 2; Ha, Y.-s., 1992, 119) (See Table III-15). This industrial gap between the two Koreas was regarded as being a serious concern for American experts on Far East Asia in the 1960s (Morley, 1965). Hence, Park's main concern was redressing the balance between North and South in industrialisation (O, W.-c, 2012).

Table III-15 Comparison of GNP and per capita GNP between North and South Korea, 1953 – 1990

(US \$ million)

	North Korea			South Korea		
	GNP	Per capita	Growth rate	GNP	Per capita	Growth rate
1956	732.0	78	31.8	1,450	66	-1.4
1960	1,913.5	177	7.4	1,948	79	1.1
1963	2,632.0	225	9.4	2,718	100	9.1
1966	3,175.5	255	5.8	3,671	125	12.7
1969	3,219.2	239	5.8	6,625	210	13.8
1972	6,179.6	422	16.0	10,632	318	5.3
1974	8 618.6	559	17.1	18,701	540	14.0
1976	12,601.3	775	10.9	28,550	797	13.4
1978	16,360.5	956	16.9	51,341	1392	11.0

(Hwang, 1993, 120-121).

The Nixon Administration was witness to the crisis of American hegemony due to the failure of the Vietnam War. Park seized the opportunity to resume heavy industrialisation in fabricating the North Korean security threat in South Korea. Declassified US documents also confirm that Park was going out of American control due to declining US influence in Korea since the mid-1960s as ‘Park was determined to go his own way in handling the domestic political situation without paying too much to [the USA] views. The USA policy makers estimated that Park’s confidence was owing to his diplomatic ploy to obtain USA military and economic aid, in particular, through involvement in the Vietnam War’ (Ma, S.-y., 2001, 245-246).

In a more global perspective, the post-Korean War era had created a political-economic system which was underpinned by economic access of South Korea to very favourable ‘big buyers’ in the USA. The Korean War had excluded Mainland China from interactions with the non-communist part of the region through a blockade and war threats backed by ‘an archipelago of American military installations’ (Cumings 1997: 154–5). The détente between China and the US was a result of the Vietnam War which had destroyed what the Korean War had created (Arrighi *et al.*, 2003, 309). This détente was a daunting challenge to military-styled leaders in Taiwan and South Korea. Moreover, the emergence of China meant more serious encroachment of the share of Far East Asia in the labour-intensive product market in the US. The pursuit of the HCIP in authoritarianism could be interpreted as a response to the economic threat of China in trade-off relations along with the declining military threat.

Moreover, the existing Korean Constitution limited the presidency to two consecutive four-year terms. Park was elected twice in two presidential elections in 1963 and 1967. Constitutionally, Park should resign in 1971 from the presidential office permanently. However, Park wished to prolong his office beyond the constitutional restrictions. In spite of strong opposition to the revision of the constitution, Park forced through a national referendum that modified the constitutional limit of the presidential term in 1969. However, Park failed to get a majority of support from the Seoul area. The amended Constitution eliminated an article on term limits for a President. Park ran for his third term in 1971 (USA. Congress, 1978, 31; Kwak, T.-y., 2006, 195).

Table III-16 Seventh Presidential Election results, 27, April, 1971

Candidate	Nationwide	Urban region
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Chung Hee Park	51.1 %	42.4 %
Dae Jung Kim	43.6%	53.8%

(Kwak, T.-k., 2006, 195).

Table III-17 Vote by monthly income in the 1971 presidential election

Income	Unit: percent		
	Park	Kim	Others
Below 10,00 Won	32.6	30.3	2.2
10,000-20,000	46.4	34.8	1.4
20,000-30,000	52.2	35.9	0.8
30,000-40,000	41.2	43.0	0.3
40,000-50,000	35.8	45.0	3.0
50,000-100,000	36.6	40.6	0.5
Above 100,000	32.5	51.2	4.7

(Oh, C.-h., 1991, 189).

In the third election for presidency in 1971, Park defeated Kim, Dae Jung chief presidential candidate of the opposition party. However, Park was dismayed at the narrow margins and urban-rural and income based voting patterns. Park had much confidence in receiving the people's overwhelming support owing to the vaunted economic growth under his regime. Park thought that he could continue to win democratic support as long as he created jobs. However, Park was surprised by the poor support from urban areas and the negative correlation between higher income and voting results (See Table III-16 and Table III-17).

In the three presidential elections during the Park era (1963, 1967 and 1971) the opposition candidates received between 41 per cent and 45 per cent of the valid votes in spite of massive government support for Park in the elections (Cotton, 1989, 250). Furthermore, the voting pattern irritated Park. During the elections of the 1960s, Park had been heavily reliant on the rural sector. Park's heavy reliance on the rural areas in the elections baffled him because urbanisation was mainly a product of his push for economic growth (Sorensen, 2011). Though Park concentrated on economic growth to legitimise his military coup, the voter's patterns in the presidential elections had perplexed Park. The educated public with higher income in the urban areas did not support Park (O, C.-h., 1991, 189).

As Park was preparing for heavy and chemical industrialisation, the formation of industrial cities was a paradoxical requirement for Park. The HCIP would increase the urban vote against Park. Park was convinced that he would be less likely to stay in office through a system of direct elections. Hence, Park turned to a contingent plan and introduced the authoritarianism that enabled him to stay in office permanently without undergoing any direct elections (Sorensen, 2011).

Kwak (2006) juxtaposed two factors as to the weakened support for Park. First, the unexpected boost of economic growth in the 1960s had contributed to the rise of middle-class urbanites and increased access to higher education. Parents of the middle-class did not want to send their sons to the Vietnam War. They opposed Park's involvement of South Korea in the Vietnam War. Second, the economic growth in the urban areas created economic inequality that created dissent among labour forces. Unlike the less developed rural areas, the economic prosperity in urban areas were conspicuous to the low-income labour forces (Kwak, 2006, 198-199).

American officials in Korea also held similar views on the special economic problems of Korea in the 1960: 'However, this growth did not benefit all sectors of Korean society equally, nor were all sectors of the economy given equal attention in economic planning. Both the agricultural (rural Korea in general) and urban labour were largely neglected... By 1969, AID [Agency for International Development] had come to view the disparity between agricultural and urban incomes as a serious economic and political problem' (USA. Congress, 1978, 179).

7. The *Yushin* Dictatorship (1972-1979)

In October, 1972, President Park abruptly declared emergency measures to suspend the existing constitution and announced the *Yushin* (revitalising) Constitution to allow himself a life-term of the presidency with statist supremacy through indirect presidential elections. *Yushin* is literally the same character as Japan's Meiji Restoration. It is not clear if Park borrowed the name from Japan's Meiji Restoration. However, it definitely recalls the repercussions of Meiji Japan. Through the *Yushin* Constitution, Park restructured the state apparatus like a wartime political economy to strengthen the executive power of the president to deal with national security and economic performance more effectively. The aim of the new Constitution included 'minimising national dependence on the United States on the one hand, and maximising centralised governing structure on the other' for performing Park's plan for defence-related heavy and chemical industrialisation (Kim, H.-a., 2004, 140).

On the 17th of October, 1972, President Park took drastic measures in his declaration of martial law. Park asserted that ‘extensive reform is necessary to cope with international politics, North and South Korean relations in drastic transition and internal political situations. Therefore, it is inevitable to take emergency measures that suspend the effects of the Constitution partially for two months’ (Park, C. H., 17 October 1972).

The measures involved the dissolution of the National Assembly, suspension of the existing Constitution, censorship of the media, the shut-down of universities, and a ban on all political activities. Accordingly, a national referendum was conducted to approve the new constitution on the 21st of November 1972 (Nam, J.-h., J.-h., 1982, 95).

The new constitution established the National Conference for Reunification, a new constitutional body which was a supreme constitutional body chaired by President Park. Its members were directly elected on condition that they are not affiliated by any political party or members of the National Assembly. The Conference had the function to elect the president and one third of the lawmakers, and confirm amendments to the constitution. Park mobilised government control on the composition of the National Conference. The new constitution abolished restrictions on presidential terms and extended the term of presidential office from four to six years. The president was established to be above the legislative and the judiciary. The president was empowered to dissolve the National Assembly as well as to appoint one-third of the National Assembly. The President also had the authority to appoint and dismiss all judges, which weakened the independence of the judiciary (Kleiner, 2001, 154-155).

Furthermore, the President had extensive powers over society. ‘In the case of a threat to national security or public safety, he has the right to take emergency measures ‘in the whole range of state affairs’ (Article 53). Under an emergency, the freedoms and rights of the people could be suspended as:

In case the national security of the public safety and order is seriously threatened or anticipated to be threatened... the President shall have the power to take emergency measures which temporarily suspend the freedom and rights of the people as defined in the present Constitution and enforce emergency measures with regard to the rights and powers of the executive and judiciary (cited in Nam, J.-h., 1982, 95-96)

As to the background of his incorporation of authoritarianism, Park argued that Western European style democracy was not appropriate for South Korea to overcome its backwardness and lack of modernity. His view was that democracy failed in Korea because

there lacked the necessary conditions such as economic development and modernisation. According to Park, Korea's adoption of democracy since the liberation from Japan was 'borrowed clothes' that does not fit Korea in its confrontation with crises. The institutions established by democracy exacerbated the problems of Korea. Blaming 'borrowed clothes' and democracy as a cause of social unrest, Park coined 'Korean-style democracy' to justify his suspension of democracy and his institution of authoritarianism. Park stressed the role of the military in creating social order and pursuing anti-Communism (Pak Chŏng-hŭi Taet'ongnyŏng Yuk Yŏng-su Yŏsa Kinyŏm Saŏphoe, 1990, 52).

Throughout the *Yushin* era, Park's cardinal priority was to strengthen the economic structures by making alliances with big business in pursuit of heavy industrialisation. Park deployed an expanded presidential power to perform the HCIP and to broaden the elite coalition between the military and business to repress the labour class. In particular, the roles of technocrats played a significant role. In contrast to the high ratio of military officers in the cabinet, Park put a cadre of technocrats under his direct control over the ministries. Park's technocrats applied an engineering approach to economic and land development planning at the state level. Combined with the authoritarian political form, Park's regime had produced a socio-economic structure in affinity to the Japanese techno-fascism (Kim, H.-a., 2004).

In spite of deepening industrialisation and economic prosperity, the civilian resistance to Park's authoritarianism also increased. Park consistently responded to the opposition with harsh state violence. In contrast to student's demonstrations in the 1960s, Park was confronted with different types of civilian opposition that coalesced into a church group-labour activist-student –disgruntled politician and journalist nexus (Gleysteen, 1999, 13).

With the increasing population of Christians, mainly young urbanites, in South Korea, the Roman Catholic and Protestant churches had begun to lead the civilian dissent against the dictatorship. Park's abuses of human rights were criticised by South Korea's Christian community alongside the social complications that Park had created from his economic development based on low-wages that provided little in exchange for the lost human rights (Kleiner, 2100, 1581-59).

There are two reasons for the emergence of churches in their opposition to Park's regime. First, anti-communism is a common view in South Korean Protestant Christianity due to the American-backed growth. Since the 1960s, South Korea had witnessed an upsurge of the young labour class employed in the labour-intensive industries, originally from the rural areas. As Park maintained repressive labour policies like wage controls and restrictions on the formation of labour unions, the young labourers became vulnerable to Communist

propaganda. The churches responded to the influx of this new young urban population in such a way as to fend off the sway of Communism (Clark, 2007, 174). Secondly, in particular, the socio-political participation of the Korean Catholics was influenced by the Second Vatican Council. The Second Vatican Council (1962-65) promoted the commitment of the Church to play an active role in the advancement of justice, human rights, and freedom (Kim, N.-y., 1993, 40).

Park's regime had difficulty suppressing the alliance between church and dissenting political powers in the 1970s. First, for Park, the suppression of Christianity was a heavy burden due to the connections of Korean churches with foreign Christian institutions like the Vatican and American missionaries who served in South Korea. Secondly, churches had institutional strengths as an opposition force to authoritarianism, which was composed of normative (church function for a religious and moral system), structural (church as a viable institution), and behavioural (church as functioning as an influencer of the laity) components (Kim, N.-y., 1993, 130).

For example, in the 1970s and 1980s, South Korean Catholics took the lead in confrontations with the authoritarian government. 'Cardinal Stephen Kim Suh-wan allowed the grounds of the Cathedral of the Immaculate Conception of St. Mary in Myöng-dong [located in the centre of Seoul] to be used as a sanctuary for dissidents and demonstrators'. During the authoritarian period, the police force never trespassed into the Cathedral in Myöng-dong to repress the dissidents demanding for the end of the dictatorship, while Catholic Church continued to provide lodging and food to the demonstrators (Clark, 2007, 168).

Churches played leading roles in disseminating the ideals of human rights and arousing labourer's consciousness. Many of the activities of the church involved intervening in industrial disputes to support the workers, which escalated into serious conflicts with Park's regime (Kim, N.-y., 1993).

The labour class regarded the students' demonstration against the military regime in the 1960s as an elite conflict between the military and the universities. So the student demonstrations failed to obtain the support of the masses. In contrast, the churches as religious institution in the 1970s were more effective in fomenting mass participation in their human rights struggles. (Kleiner, 2001, 167).

In addition to internal conflicts, the shift in Korea-US relations in the 1970s became detrimental to the viability of Park's regime. In the 1960s, the US supported Park's regime in overcoming its lack of popular support. However, Park had impaired the relationship, which

ultimately led to the loss of the strongest protector of Park's political power, in three ways: (1) Park's creation of a clandestine nuclear program; (2) Park's frequent violations of human rights; and (3) Park's illegal payments of cash to some members of the US Congress.

In pursuit of the HCIP, Park also prepared a secret plan for developing a nuclear weapons and missile program (Kim, H.-a., 2004). According to a declassified CIA document, Park had authorised a nuclear program in 1974. But under strong US pressure to terminate it, it was suspended in 1976. During the negotiations for suspending the nuclear program between Korea and the US, relations deteriorated (USA. Central Intelligence Agency, 1978).

In 1973, Kim, Dae Jung, later President of South Korea (1998-2002), who almost defeated Park in the presidential election in 1971, was abducted by KCIA from a Tokyo Hotel to assassinate him. Kim was saved by US intervention, which produced an international clamour subsequent to the 'East Berlin Spy Incident' in 1967. Due to this incident, Park became a target of international human rights activities (Gleysteen, 1999, 13).

Finally, 'Koreagate' occurred with 'leaked news' in the American media during presidential and congressional elections in the US in 1976. South Korean agents had attempted to bribe ninety members of Congress, which the alleged aim of reversing President Richard Nixon's decision to withdraw troops from South Korea. This event triggered a huge scandal and ultimately poisoned the Korea-US alliance in the late 1970s (USA. Congress, 1978; Lee, H.-j., 1993).

The denouement of the *Yushin* dictatorship resulted from the abrupt demise of Park in 1979. Much remains mysterious as to Park's death. At the time South Korea was suffering from an economic recession. On the 7th of August 1979, the owner of Y.H. Industrial Co. for exporting wigs shut down his factory and fled to the US without paying wages to 350 young women. The fired women contacted Kim, Young Sam, a leader of the opposition party and later President of South Korea (1993-1997) to be allowed to demonstrate at the headquarters of the opposition party. In this event, the police attacked the protestors to force them away, which resulted in the suicide of a woman. The workers contacted the Urban Industrial Mission, a Protestant Korean-American labour group. The US Administration denounced Park's suppression as 'excessive and brutal' in an official statement on the 13th of August 1979. Park responded to the US statement by removing Kim, Young Sam out of the National Assembly, which triggered massive student protests in Kim's hometown in Pusan. The student protest had developed into a massive civil uprising through the massive participation of labourers in Pusan and nearby Masan, a labour-intensive industrial city. On the 26th of October 1979, President Park had a dinner with some of his insider members in a safe

building. During the dinner party, Director Kim, Jae-kyu of the KCIA, an old friend of the President had a dispute with Park on the governmental measures to the uprising. Kim abruptly assassinated Park and other members (Kleiner, 1979, 166-167). After the sudden death of Park, another military coup broke out on the 12th of December, which dismantled the Fourth Republic of the *Yushin* Constitution and ushered in the Fifth Republic.

IV. Japanese reception of the German state model

Park and many of his important staff were contemporaries as former officers of the Japanese Army in Manchuria, China during the war in the 1930s and 1940s. There they witnessed the heavy industrialisation under the wartime system led by the Japanese military and technocrats. Their past military career of the Japanese Army in Manchuria played a pivotal role in building up heavy industry of South Korea in the 1970s. The postwar political economy of Japan was also a product of emulation the Manchurian system, which was led by many former bureaucrats of Manchuria in the 1950s. After a long discrepancy, Park also copied the Japanese emulation of the Manchurian model in the 1970s (Kim, H.-a., 2004; Kang, S.-j. and Hyun M.-a., 2010). The Manchurian wartime economy in the 1930s originates from a reception of German political economy by the Japanese military and technocrats, which took place from the Meiji Restoration in the 1880s to World War II (Sasada, 2008).

It is widely accepted that nationalism in East Asia emerged as a reaction to the seismic humiliation of China in the Opium War of 1839 and the forced opening of Japan in 1854 by the U.S. Navy led by Commodore Perry (1794-1858). Since the Opium War in 1839, East Asian elites had been preoccupied with overcoming their humiliations in their encounters with the Western imperialists during the last century. Chinese intellectuals coined ‘The century of humiliation (百年国耻)’ referring to the period of intervention and imperialism by Western powers in China from 1839 to 1949 (Callahan, 2004, Zheng Wang, 2012) whereas Japan developed ‘overcoming [European] modernity’ a Japanese war philosophy which interprets Japan’s mission as the liberation of Asia from Western imperialism (Calichman, 2008; Heisig, 2009).

East Asian elites were commonly preoccupied with modernisation and the Westernisation of their states to survive from Western imperialism. They made special efforts to learn a variety of Western discourse such as public international law (Svarverud, 2007) and social Darwinism (Chun, B.-h., 1992). They aimed to achieve rapid industrialisation, and military modernisation with their ultimate aim of defeating Western civilisation. Interestingly, for the East Asian elite, Western civilisation included only Anglo states (England and the USA) and France. On the other hand, the East Asian elite saw Germany as a newly emerging non-Western state in Europe. They believed that the rapid ascendancy of Germany into great power in the late nineteenth century could be a model for Asia to pose a challenge to England, France, and the USA.

In particular, the German victory over France in the Franco-Prussian War was well-received by the military leaders of China and Japan. The military leaders in China and Japan were the most pro-active in desiring cooperation with Germany for the industrialisation and modernisation of their militaries from the 1910s to the 1940s (Martin, 1995; Kirby, 2006).

After the end of the Great War, military leaders of the Republic of China and Japan had begun to be concerned of a potential war with each other. Both of them turned to Nazi Germany in their preparation for the war. China mainly invited German military officers as advisors to China in the 1920s and 1930s. The Sino-German cooperation played a pivotal role in Chinese industrialisation and modernisation of the military (Kirby, 2006). At the same time, even Chinese Communist Party led by Mao Zedong was advised by Otto Braun (1900-1974) a German Communist and military officer who had the control of the Red Army in the Chinese Civil War from 1932 to 1939 (Braun, 1982). Through the enthusiastic reading of Clausewitz and Lenin's secondary writings on Clausewitz, Mao became strongly influenced by Clausewitz in developing his revolutionary thoughts in the 1930s (Tiejun, 2011, 46).

The Japanese military and technocratic elite who had been to Germany to study the German wartime system in the 1920s played leading roles in the invasion of Manchuria, the north-east part of China. Based on their studies on the German wartime economy, they incorporated a Nazi-styled heavy-industrialisation in Manchuria (Johnson, 1982; Sasada, 2008).

These German influences on the military and wartime economies in China and Japan created a substantial influence on the formation of the backbone of the postwar political economy in East Asia after going through the second Sino-Japanese War (1937-1945) (Johnson, 1982).

In particular, in Japan, alongside the military, Japanese intellectuals were vehement in their support of the war against Western imperialism, which was similar to the writings of conservative intellectuals of Germany in the aftermath of the Great War. Jeffrey Herf coined a 'reactionary modernism' to explain the intellectual origins of the German fascists' great enthusiasm for modern technology and rejection of the rationalism of the Enlightenment and liberal democracy after the Great War. He tracked the cultural tradition of 'reactionary modernism' in the writings of German authors like Ernst Jünger, Oswald Spengler, Werner Sombart, Hans Freyer, Carl Schmitt, and Martin Heidegger (Herf, 1984).

In the 1920s and 1930s, many Japanese intellectuals went to Germany to study the reactions of German conservative intellectuals and much of the writings of the German authors were translated into Japanese. They created their own rendition of 'reactionary

modernism' for resisting the Anglo-Franco civilisation by fusing 'moral energy' and 'modern technology'.

In particular, Oswald Spengler's *The decline of the West* (1926) has been one of the most important texts in East Asia. In rejection of the Eurocentric view of history, Spengler advocated evolution of cultures as organisms in world history. Moreover, he predicted the end of the West. Based on Spengler's prediction, Japanese intellectuals argued that the dominance of Western imperialism would be replaced by two fledgling civilisations: Germany in Europe and Japan in Asia. They claimed that Germany and Japan shared common destinies to crush Western imperialism (Donga-ilbo, 13 October, 1922, 1). These intellectual movement was utilised by the Japanese military to justify the Japanese war against the West in the 1940s (Feenberg, 1994, 153; Arisaka, 1999).

Against this backdrop, this chapter discusses the routes by which German influence seeped into Japan from the Meiji Era to 1945. Firstly, this chapter starts by dealing with the Prussian teachings to Meiji Japan from the 1880s to the 1890s in the founding period of modern Japan with a focus on the influence of Lorenz von Stein. This survey will focus on efforts by Japanese statesmen and the military to integrate the constitution, education, and the military system into an imperial state-ideology.

The second section documents how the military conceptualised German 'total war' during the Great War to incorporate a wartime mobilisation system in Japan. During the Great War, the Japanese military was inspired by the 'total war' system that controlled the German military. In response to the global economic recession of the 1920s and the Bolshevik revolution in Russia, many Japanese conservative intellectuals went to Germany to study the German postwar spirit known as 'reactionary modernism' (Herf, 1984). The Japanese learnings from German total war and 'reactionary modernism' had formed a strong basis for the rise of Japanese fascism in the 1930s and the 1940s.

The final section provides intellectual support of Japan's war based on their studies of Germany. The Japanese military attempted to justify their war against China and the USA by mobilising Japanese philosophers and authors, which produced philosophical support for producing a Japanese regionalism.

1. Prussian tutelage and the formation of modern institutions in Meiji Japan

The salient features of German tutelage to Meiji Japan include an imperial ideology which aimed for the integration of the state and the people under the supremacy of the Emperor. Under the new constitution, the Meiji system stressed economic growth and the build-up of

strong army by incorporating modern compulsory education and universal conscription. The strong coupling of education and military under a constitutional ideology became a common bedrock for Japan, South Korea, and Taiwan.

From the late 1880s to the early 1890s, the emergence of Germany began to attract the interest of the Far East Asian elites. The prominence of Germany in Far East Asia during the late 1880s springs from the militancy of Far East Asia towards the Western civilisations. Until the end of the nineteenth century, the regional relations were characterised by the tribute system (*chaogong tizhi*) which generally has China as the cultural core and the other states as periphery under a set of institutions and social norms in diplomatic relations that have existed for two millennia (Fairbank, 2005; Fairbank and Goldman, 2006, 112).

The Chinese tribute system had created a 'Chinese world order' which was underpinned by two elements: (1) Chinese suzerainty to the other states and Chinese cultural dominance by adoption of Confucianism as an orthodox principle for state management and the classical Chinese language as an official language for education and bureaucracy. However, this system abruptly collapsed when China became subjugated to England in the first Opium War (1839-1842). In the second Opium War (1856-1860), Beijing fell to an invasion of the allied forces of England and France, which was a seismic and humiliating moment for Far East Asian intellectuals (Creel, 1953, 235-257).

For the Far East Asian intellectuals, the collapse of the regional hegemony of China had triggered a concern on the survival of Far East Asian civilisations and bolstered militancy towards Western states. These concerns expedited the ascendancy of interest in social Darwinism and a catch-up strategy for a rapid modernisation and industrialisation. However, they were reluctant to embrace the political ideals which resulted from English democratisation and the French revolution (Chun, B.-h., 1992, 42-140).

Against this backdrop, the ascendancy of Bismarck's Prussia, alongside the process of German unification and late industrialisation in the nineteenth century, had attracted the attention of Far East Asia. Some Far East Asian conservative elites regarded the imperial system of Prussia as a parallel to the Confucian monarch. While rejecting the Western liberal-democratic political system, Far East Asia could still overcome backwardness in modernisation.

It was Meiji Japan that initiated the reform for Western modernisation for the first time in Far East Asia. In 1868, feudal systems of Japan were toppled by a military coup led by young samurais from the *Satsuma* and *Choshu* domains and they restored the Japanese Empire in order to embark on modernisation. Then, Meiji Japan established her constitution,

education system, and military system based on the Prussian model. The German model enjoyed the most privileged position until 1945 (Pyle, 1974; Yagi 1989, 29; Barshay, 2004, 32).

The dominance of elites from *Satsuma* and *Choshu* provinces had a significant impact on the history of Far East Asia in the twentieth century. The two domains are located in the far-western part of Japan which is also the closest to Korea. Moreover, from the seventeenth and eighteenth century, the *Satsuma* and *Choshu* domains had been exceptionally free areas where contact with Westerners was officially allowed. It had been a gateway of the ‘Dutch learning’, a Japanese boom in western learning. Along with the early impacts of Western science and geographical proximity, young samurais from the two regions led a leading role in the Meiji Restoration and subsequent colonisation of Korea (Buruma, 2004, 19).

The dominance of the *Satsuma* and *Choshu* factions in politics and the military endured until 1945. After 1945, the *Satsuma* and *Choshu* factions played a leading role in establishing the Liberal Party. Currently, the two factions still stand as one of the most dominant political factions in Japanese politics. Hence, the origins of Japanese modernisation come from Japanese interaction with continental European states like the Netherlands and Prussia.

Along with its modernisation, Japan decided to embark on acquiring overseas colonies from 1895 up to the ultimate colonisation of Korea in 1910 (Duus, 1995; Dudden, 2005). The Prussian impact on the Meiji Restoration in 1868 and successive changes had an immense impact on Japan and its colony in Korea subsequent to the colonisation (Altbach 1989, 9; Duke 2009; Kanamori, 1989, 93-94).

The Meiji Restoration in 1868 and subsequent reforms to abolish the feudal-class system and to restore imperial rule brought about modernisation of Japan. Japan’s goal of modernisation was manifested in ‘turn to West’ which meant, in economic terms, a state that has experienced an industrial revolution; in social terms, a state of a centralised political system under which popular participation is structured through parliamentary institutions of constitutional order (Sukehiro, 1993, 432).

The Meiji oligarchy wanted to examine and compare information on various models of the Western states. The Meiji oligarchs dispatched ‘The Iwakura Mission’ to the United States and Europe starting in 1871. From the obtained information, the Japanese government decided which specific sphere should be an appropriate model for the country. Japanese academicians classified Western models in such terms as ‘English School (*eigaku*)’, ‘French School (*futsugaku*)’, or ‘German School (*doitsugaku*)’ (Yagi, 1987, 29). Japanese

intellectuals debated on which model to adopt. Among them, the British model was pre-eminent due to the increasing demand for a liberal constitution and the establishment of a parliament. However, some conservative Japanese elites, mainly from the *Satsuma* and *Choshu*- domains became more attracted to the strong state apparatus of Prussia as a model for a late-developing moderniser that seemed particularly appropriate to emulate (Morishima, 1982).

Under the leadership of Okubo Toshimichi, (1830-1878) a leading statesman of the Meiji government, radical reforms were introduced to advance from the feudal class system. He was one of the earliest pro-German politicians in Meiji Japan. Toshimichi was an ardent admirer of Bismarck and visited Prussia to get advice from him. In 1873, when he visited European states to find a new model for Meiji Japan, he stated that he had found no hope in Europe except for Germany in a document which he sent from Berlin to Tokyo:

This country [Prussia] is very different from the other countries of Europe; it has a more rough-hewn and honest aspect. And particularly since it has produced such great teachers as the famous Bismarck and Moltke, who make me want to follow in their footsteps (Toshimichi, cited in Takii, 2007, 41).

Toshimichi came to learn ‘real politics’ from Bismarck on the concepts of international law. A dialogue between Bismarck and Toshimichi is recorded in Japanese as a document known as ‘*Bei-Ō kairan jikki* (A true account of a journey of observation through the United States and Europe) (Kume, 1977-82). In the dialogue between Bismarck and Toshimichi, Bismarck explained his negative views on international law:

Nations these days all appear to conduct relations with amity and ‘courtesy, but this is entirely superficial, for behind this façade lurks a struggle for supremacy and mutual contempt... small nations like ours, however, would assiduously abide by the letter of the law and universal principles, not daring to transgress them so that, faced with ridicule and contempt from the greater powers, we invariably failed to protect our right to autonomy, no matter how hard we tried (Toshimichi, cited in Takii, 2007, 41-42).

Bismarck defended his policies of ‘blood and iron’ which were used during his stay in power:

Aroused by this deplorable state of affairs, we summoned our strength as a nation and made a great effort to promote a patriotic spirit with a view to becoming a country that merited due respect in diplomatic affairs. In the several decades since then, right up to the present day, all we have ever set out to achieve has simply been to uphold the autonomous rights of each nation. Nevertheless, we hear constant expressions of horror from other powers at the way Prussia has used force on all fronts, and they censure us for rejoicing in our military prowess and depriving people of their sovereign rights. This, however, is entirely contrary to the will of our country, for it is our hope that, motivated solely by respect for national rights, each nation may be independent and conduct diplomatic relations on equal terms, living within its just territories without its borders being violated (Bismarck, cited in Takii, 2007, 42)

In concluding remarks, Bismarck urged the Japanese to see Germany as the best model for Japan. Toshimichi returned to Japan to embark on a westernisation based on Bismarck's teachings. However, his radical policies created strong resistance and strong conflicts regarding the future direction of Japan. The Satsuma Rebellion (1877) was a series of armed samurai uprisings which took place against the government's push for modernisation (Gordon, 2003, 86-88). Toshimichi defeated the samurai armies but was assassinated by a member of the suppressed rebellion forces on May 14th, 1878 (Brown, 1962).

In the course of the tumultuous conflict between modernisation and tradition, the Japanese elites felt that Japan should establish a constitution and national education system to create national cohesion and unity. There had been a rivalry between the pro-British party and the pro-German party as to the model for the new constitution for Meiji Japan. To find a solution to the heated debate, the Japanese government decided to turn to the West for guidance (Morishima, 1982; Takii, 1999).

Itō Hirobumi, then a secretary of the late Okubo Toshimichi, statesman, later the first Primer Minister in Japan and the first Resident-General of Korea, was ordered to lead a mission to study the constitutions of Europe. Itō Hirobumi embarked on a tour to study constitutional systems in Europe in 1882. Like his predecessor, Itō also met Bismarck and Bismarck introduced scholars to give a crash course to Itō (Takii, 1999; Ando, 2000; Jansen, 2000, 390; Takii, 2014). During his stay in Europe, Itō met German scholars like Rudolf von Gneist (1816-95) and his assistant Albert Mosse (1846-1925) in Berlin and Lorenz von Stein

(1815-90) a professor at the University of Vienna. Itō's contact with the scholars had an immense impact on Japan in terms of the interrelations among political, constitutional, and educational aspects. Itō was tutored in constitutional theory and social science by Gneist and Stein respectively during Itō's stay in Germany and Austria. Itō was satisfied with this new perspective which he thought could defeat the Anglo-American and French models (Halliday, 1975, 37).

Gneist was a German legal jurist who thought that 'the constitutional state in Prussia must be grounded on the foundation of a firm, well-knit local government, without autonomy of its own' (Gneist cited in Norman 1975, 454). According to an arrangement by the Japanese Minister, Gneist gave a special series of lectures to Itō thrice weekly for three months. Gneist stressed the need to protect the supreme powers of the Emperor. In particular, Gneist argued 'against adopting characteristics of the American or French constitution. In his opinion, problems of diplomacy, the organisation of the military should not be subject to the decisions of the parliamentary body. The power of the parliament should be limited and that of the ministers of the state strengthened under the direction of the Emperor. The disdain of Gneist on the role of the parliament had a substantial impact on the rise of military fascism in Japan (Borton 1970, 136; Beckman, 1975, 71).

However, in course of Gneist's lectures, Itō had difficulty communicating with Gneist because Itō could not speak German. Therefore, Itō wished to find another tutor with whom he can discuss more freely. He was introduced to Lorenz von Stein, a professor at the University of Vienna who could give him lectures in English. Unlike Gneist, Stein could discuss with Itō in English on a far broader range of subjects in direct conversation and correspondence. Furthermore, Stein provided lecture notes in English to Japanese students which are currently available (Stein, 1998). Although Stein's lecture notes were roughly written, they became a key text for the Meiji Japanese elites. Based on his theory of the science of the state, Stein taught Itō a variety of theories on constitution, education, finance, sociology and public administration at length (Hardacre, 1989, 118).

As an orthodox Hegelian proponent, Stein drew on class antagonism based on the concept of 'separation of society from a state'. Stein saw that the emergence of the modern European state was a result of universal history proceeding towards the realisation of freedom. For his historical view, Stein dealt with the French Revolution and subsequent industrialisation in European historical development (Stein, 1964). He saw that people in the nineteenth century became free from their bondage to soil and dependence to agricultural

production. However, the class antagonism emerged. He saw the origin of class antagonism as the rise of a dependent class without possession of capital in industrial society:

The form of property in control of industrial society is capital. To be excluded from capital ownership is not merely to be excluded from the ownership of property. It also means to be excluded from the conditions providing a full development of personality and the enjoyment of civil liberty. The industrial society, by creating a class without capital and without a chance to ever acquire it, has established an element of bondage... The non-owners thus become the dependent class (Stein, 1964, 256).

According to Stein, in France, the industrial society had become a ruling power after the monarchy was overthrown. In the industrial society, the conflict between the property-owning class and the proletariat had aggravated. Stein claimed the state should be established above society independent from any interests of class. Stein also turned to Napoleon Bonaparte to exemplify his concept of state autonomy from society.

In brief, they wanted the restoration of an independent authority of the state, which would stand above the parties... The difficulty was to find the person independent of all parties, who by his name and personality would ensure that France would never fall under party rule. Such a man, who was to be king without the title and the glory of a king, was Louis Napoleon... And Proudhon is right in adding: 'Yes, France has elected Louis Bonaparte as President of the Republic, because she is tired of party strife, because all parties are dead'... The victory of the state over parties. With the election of a president who stood outside the parties, the inner organisation of the state was apparently accomplished (Stein, 1964, 427).

Similar to the Marxist ideas on class conflict, Stein stated that uprisings of the proletarian class were inevitable in industrial society and a state was responsible for providing a solution. Stein argued that the role of the state should be a benevolent and impartial agent to recognise the classes and resolve the clashes. Stein conceptualised a 'social monarchy (*soziales Königtum*)' which was the best form of government in a state. In a social monarchy system, the sovereign stands above society as a neutral mediator between conflicting parties. Stein stressed the thrust of social monarchy as a strategy to avoid revolution and to integrate the working class into capitalist society without any militant

repercussions. Itō was favourably impressed with the social monarch ideas by von Stein (Conrad and Lützel, 2002, 19; Pankoke, 2005, 114).

In his lectures to Itō, Stein warned that the industrialisation of Japan would create an acquisitive drive and class conflict, which ultimately would dismantle traditional harmony. As to his warning, Stein offered the ‘social monarch’ which controls the national economy by focusing on welfare of the whole as a solution to Japan. Stein insisted that the urgent task of Japan was to ‘maintain impartially the welfare of the whole and a harmonious social balance by means of social legislation and an active administrative policy that works for the physical and spiritual welfare of the lower classes. To overcome class conflict and to maintain an ethical political attitude that places the welfare of the whole above class interests, the institution of hereditary monarchy is of inestimable value’ (Pyle, 1974, 138). Itō’s German tutors commonly argued that the Emperor should have absolute power in a constitutional government as opposed to universal suffrage and party government (Beckman, 1975, 72).

Impressed with the German tutors’ ideas, Itō decided to establish the Japanese Emperor as a ‘social monarch’ who can play the role of arbitrator. Furthermore, Itō decided to add concepts of *Shintoism*, the Japanese indigenous religion with Stein’s ‘social monarchy’. After returning to Japan, Itō supported the adoption of the German model in the drafting of a new constitution for Japan. Itō, supported by nine assistants, became the leader in drafting the new constitution. Among them, Hermann Roesler (1834-1894) a student of Lorenz von Stein was recruited by the Japanese government to participate in drafting the constitution and the commercial code with the Japanese drafters (Siemes, 1966, 9-14).

Moreover, Itō took measures to diffuse Stein’s thought among the Japanese political leaders. First, he immediately asked the government to hire Stein as an advisor to the government. However, Stein refused to travel to Japan due to his age and health. Instead he agreed to act as a remote adviser to the Japanese government through contact with the Japanese embassy in Vienna. Itō arranged a series of private long distance lessons by Stein for the Japanese Emperor. The Japanese Emperor appointed Stein as ‘a legal advisor at the Austrian Embassy *juristischen Berater bei der Botschaft in Österreich*’ on 10 October 1882. Stein sent lecture notes in English to the Japanese embassy in Vienna. The notes were translated and sent from Vienna to the Japanese Emperor. Then Japanese scholars presented them to the Meiji Emperor in the form of private tutoring (Zöllner, 1992, 33; Wetzler, 1998, 129). Later Stein’s translated lecture notes on state science became widely available in Japan.

Furthermore, through the Japanese embassy in Vienna, Stein gave lectures to Japanese visitors looking for counsel in Vienna for several years. These visits are called

Shutain mode or Stein pilgrimage. In addition, Stein provided his answers in letters to numerous Japanese politicians, bureaucrats, publicists, and pedagogues. Among them, prominent figures involved members of the Japanese Royal Family in addition to Meiji Emperor. Five of Stein's students became Prime Ministers of Japan (Xu, 2010, 206).

Stein's influence on Meiji Japan had a substantial impact on the formation of an ideological basis for Meiji Japan's political institutions. Furthermore, Stein's influence on Japan contributed to the emergence of the pre-eminence of the German Historical School and the German military system in Japan (Pyle, 1974, 138; Lehmbruch, 2001).

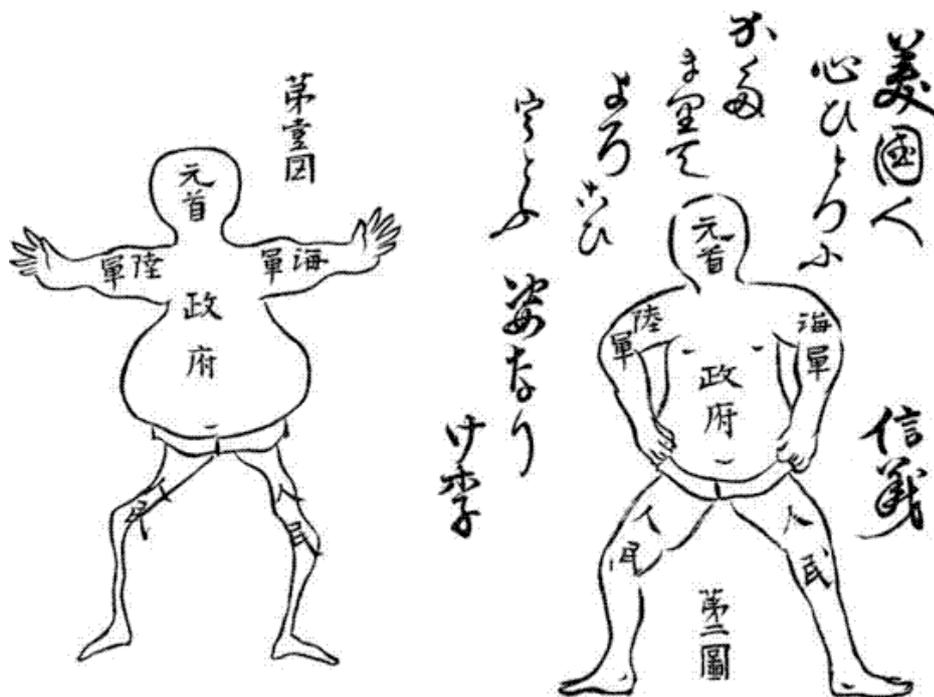


Figure IV-1 Kokutai
(Zöllner, 2008, 251).

In 1885 Japanese politician Kaeda Nobuyoshi (1832–1906) produced a graphic metaphor of the *kokutai* from a consultation with Stein to epitomise the thrust of Japan's new Constitution (Zöllner, 2009, 250). Based on Stein's concept of 'social monarchy', the Japanese had developed *kokutai* with Shinto, a Japanese indigenous religion, which became widely known in Japan in the nineteenth century (See Figure IV-1). *Kokutai* means 'national essence (*Staatsskörper*)' which conceptualises organic government and its association. The *kokutai*, an organically united entity embodied by the head as Japanese Emperor, right arm by the army, left arm by the navy, body by government, and legs by the people'. The position of embodiment represents the hierarchical structure of Japan's statehood. In the picture of the

kokutai, the head ‘Japanese Emperor’ becomes a social monarch. In particular, the position of the armed forces stood directly under the head, implying it was at the emperor’s command and yet above the body which represented the government. The *kokutai* represented graphically that the military had autonomy from government and superiority to the government and people (Schenck, 1997, 99-100; Wetzler, 1998, 129).

In addition to the constitution, Stein also had a formative impact on education in Japan. Stein saw education as a tool for strengthening the constitutional integration between a state and the individual; and economic independence in the constitutional order. Stein stressed the momentous role of education in preserving constitutional harmony in his lecture notes for the Japanese (Stein, 1998, 141-142). Therefore, Stein argued that the state should take a leading role in establishing and controlling public education to achieve integration between the state and the individual (Stein, cited in Shin, 1940, 332).

Along with his general ideas on education, Stein argued that there exists a close relationship between economy and constitution. Hence, Stein saw that educators ought to focus on the cultivation of special knowledge for economic prosperity as well as general knowledge. Hence, the system of education should hold a principle of economic welfare of the whole. As to the economic link with education, Stein argued that education is not only the transferred knowledge to individual but also a tool for acquiring material good. Stein accentuated the importance of practical education to promote freedom through achieving material well-being. In addition to the role of practical education, Stein gave the emphatic advice on higher civil service examinations in connection with higher education. Pinpointing the principle of meritocracy, Stein stated that recruitment of higher governmental officers should be based on civil service examinations:

Appointment involves two principles. First, the sovereign had the prerogative of selecting the men he wishes to appoint. Second, the men appointed must by all means first have received the education necessary for their positions... When a constitution is established, it is absolutely vital to make clear the authority of officials, and everything pertaining to their demotion or dismissal. Qualifications must be established for candidates for each office, based on the character of its duties; and they must be appointed only after passing appropriate examinations (Stein, cited in Spaulding, 1967, 48).

Along with the constitution, Itō decided to re-establish the educational system of Japan in accordance to Stein's thought. On his way back to Japan after his contact with Stein, Itō met Mori Arinori (1847-1889), Japan's ambassador to London, in Paris, to discuss Japan's education system in 1882. Itō and Mori agreed on interpreting the purpose of school in Japan's education as an instrument of nation building and choosing the Prussian notion of education as Japan's model (Duke, 2009, 314).

In 1885 Itō as Prime Minister and Mori as Minister of Education reorganised the education system along Prussian lines, a system which lasted until 1945. Japan's education system in 1885 stressed loyalty to the Emperor, productive ability, and military training. While Mori led the process of establishing the education system into elementary, middle and normal school, Itō himself intervened in re-organising the Imperial University system for the nurturing of bureaucrats (Morimoto, 1996, 223).

Mori's education reform attempted to conform educational learning to nationalistic ideals and in balance with the previous government's concentration on elementary school and neglected post-elementary school. Mori delivered a statement of his nationalistic tendencies: 'If we want to maintain the prestige of Japan among the powers and to achieve ever-lasting greatness, we must cultivate and develop our national spirit and morale. This is possible only through education' (Mori, cited in Pittau, 1965, 271-272). As to Mori's educational principle, Inoue Kowashi a member of the drafters of the Constitution commented on Mori's education policy as a dissemination of the *kokutai* among pupils:

The fundamental principle of Mori's educational policy was that education based on the *kokutai*. Education does not mean merely to collect and explain them materials of textbooks. The most important thing in education is to build up the character and give orientation to the students by showing them the spiritual way. This is an extremely difficult task... In Europe there is a religion which serves to confirm the spirit of the young. There is no such creed in our country. I think that it is very difficult to achieve a sense of unity among the people through education... This is the *kokutai* based on the imperial line unbroken for ages eternal. Nothing but the *kokutai* can be the keynote for education. No other country has a history like ours: our people have been loyal to the emperors of an unbroken in line from the beginning of the country and they will be loyal to all future emperor as long as the national land continues to exist. Therefore we should make the *kokutai* the first principle of our education. Nothing

else can be the basis of our educational system and this was the first principle of the late Mori (Inoue, cited in Pittau, 1965, 272).

Mori had a view of coupling compulsory education and militarism. Mori accentuated the importance of elementary school teachers within the context of national ideas and military training. Therefore, education of the normal schools, which trained elementary teachers, aimed to thoroughly inculcate all future teachers, who were exempt from military conscription, with a nationalist ideology and military spirit. In 1886, Mori introduced military training (*heishiki taiso*) into the regimen of teacher education. The curriculum of the normal schools was transferred under the control of military officers in command (Duke, 2009, 327-328).

Along with Mori, Yamagata Aritomo, general and politician considered one of the architects of the military and political foundations of early modern Japan, shared the view that education should be linked with the military. Yamagata Aritomo was another significant student of Lorenz von Stein. He travelled to Vienna to meet Stein. He is regarded to have established the modern Japanese Army under the example of the Prussians. Furthermore, he became a Minister of Education and Prime Minister. Aritomo as a Prime Minister articulated that patriotism is instilled through education ‘if boys enter grammar school at six, high school at thirteen, and graduate at nineteen, after which from their twentieth year, they spend a few years as soldier, in the end all will become soldiers and no one will be without education. In due course, the nation will become a great civil and military university (Aritomo, cited in Hackett, 1971, 65). In 1890 as a Prime Minister, he officially proclaimed his view in his declaration of *Plan to Defend the Sphere of National Interest*:

There are two indispensable elements in the field of foreign policy: the armed forces first and education second. If the Japanese people are not imbued with patriotic spirit, the nation cannot be strong no matter how many laws are issued... Patriotism can be instilled only through education. Every powerful nation in Europe strives to foster through compulsory education a deep sense of patriotism together with the knowledge of the national language, history and other subjects. Patriotism becomes a second nature because of such an education the mind of the people become one in the defence of the national interest even if they have different opinions in other matter (Aritomo, cited in Pittau, 1965, 273).

As to higher education, Itō had intervened in incorporating the National Imperial University System as a school for nurturing high level bureaucrats and technocrats under the strong influence of Stein's emphasis on civil service examinations. Tokyo University was revamped to be the first Imperial University that was assigned the exclusive responsibility of enquiring into the 'abstruse principles of learning in accordance with the needs of the state' under the Imperial University Ordinance of 1886. Throughout Japan's Empire, nine universities were built: seven in Japan; one in Korea and one in Taiwan (Duke, 2009, 319-321).

Imperial Universities were under the control of the minister of education financially and administratively. Contrary to private universities relying on expensive tuition fees, the tuition-free Imperial Universities were under the direct control of the government as part of the Ministry of Education's training school for producing government bureaucrats and technocrats. Half of the students at the Imperial University were enrolled in the law department. Upon graduation nearly all entered government service. Their curriculum focused on the subjects related to state administration (Hayes, 1997, 298; Duke, 2009, 321).

The pre-eminent position of graduates of the Imperial Universities among the bureaucratic elite became evident in Imperial Japan. Far East Asian people came to believe that the tuition-less Imperial Universities provided opportunities for social mobility for commoners. The children of the poor could achieve a higher social status by using his talent for the state's political goals: the intellectual gift for bureaucracy or science and technology; a strong body for the military; manual skills for the labour force. This results from Itō's adoption of Stein's recommendation on higher education as a basis for state autonomy as a mediator between classes. Therefore, Itō established public education as a way of positioning the commoners into governmental positions by meritocracy to alleviate the increasing antagonism of the proletariat. At the same time, the strictly controlled number of Imperial Universities and the overwhelming success of graduates from the Imperial Universities in Civil Examinations produced a culture of elitism and a political monopoly by graduates of the Imperial Universities.

Initially, modern Japan's military system was based on the French. However, Japan adopted the Prussian military system after France's crushing defeat in the Franco-Prussian War. In the early period of modernisation, the Japanese military thought that Japan should focus on developing a navy like Britain. However, Japan's military decided to change their strategy after the Franco-Prussian War. Ōyama Iwao (1842-1916) was one of the founders of the modern Japanese army who had served as an official Japanese military observer in the

Franco-Prussian War (Martin, 1995). He noted the freedom of the German military from political control through the German General Staff (Buck, 1976, 161).

The Imperial Japanese Army established a General Staff Office after the Prussian model of ‘German General Staff (*Großer Generalstab*)’ in 1872. The establishment of the General Staff moved the role of military administration from the control of the civilian government to the control of the army. Through the General Staff, the army was in charge of administration and overall military operations such as recruitment, war planning, military training, and procurement. Therefore, the army became more professionalised and free from the control of the government. In particular, the Japanese General Staff had direct access to the Emperor, which gave the military a powerful political voice (Beasely, 1987, 36). However, unlike the dominant composition of German military officers from the Junker aristocratic class, the Japanese General Staff was recruited from graduates of military schools in line with the meritocratic spirit (, 1953; Smerthurst, 1974).

With the establishment of the General Staff, the Japanese Army contacted the Prussian Army to request military advice on finalising the reform of their army system. In response to Japan’s request, General Helmuth Karl Bernhard Graf von Moltke (1800-1891) dispatched Jacob Meckel (1842-1905) a German general staff officer to Japan from 1885-1888. Meckel was hired as a lecturer at the Japanese Army Staff College and an advisor to the Imperial Japanese Army General Staff. He taught Japanese military elites German knowledge on war from Clausewitz to the vivid experience of the Franco-Prussian War. Meckel applied the Prussian *Kriegsakademie* curriculum to the Japanese staff college, rebuilt the field army around a German-style permanent corps, and knitted the new units into a rapid mobilisation network by urging the construction of single- and double-tracked railways to connect them (Wawro, 2000, 149).

Through Meckel’s instruction, textbooks and learning materials for the German military officers were translated into Japanese and ultimately became a standard for the Japanese military after going through supplementation (Hevia, 2012, 196-197). Main recommendations by Meckel included salient features of the Prussian army like reorganisation of the command structure, increasing mobility, enhancement of army logistics and transportation structures connecting army bases by railways, and the universal conscription system. Meckel’s military structure had been highly respected until 1945 (Buck, 1976, 161-162). In particular, Moltke’s strategic use of railway to mobilise massive army in the Franco-Prussian War was later emulated by the Japanese General Staff dispatched to Korea in construction of nation-wide railway during the colonial period (Chōn, C.-j., 1999).

Moreover, Meckel taught the strategic importance of Korea to Japanese military commanders. He persuaded the Japanese military elites to reject a military doctrine of defending the Japanese islands by naval force. Instead, he strongly recommended occupying Korea with a strong army to set up a frontline for Japan's defence. Meckel characterised the Korean peninsula as 'dagger pointed at the heart of Japan' and a 'sphere of interest' which legitimised the Japanese colonisation of Korea (Beasley, 1987, 356).

From Stein's concepts and Meckel's recommendations, the Japanese military gradually developed a national defence strategy which pushed Japan into aggressive warfare in 1907. Victory in the Russo-Japanese War, transformed the Japanese army into an invigorated confident national army with a nationwide system of conscription (Dickinson, 1999). This shift of national identity of the Japanese military had contributed to obtaining Japanese colonies in Korea and Taiwan. The initial German statist mentoring to Meiji Japan led the Japanese military to form the seeds of Japanese militant imperialism in the 1930s and 1940s.

2. The Wartime Economy in Manchuria

During the period of the Anglo-Japanese Alliance treaty (1902-1922), German-Japanese relations cooled off. Britain and Japan concluded the treaty (1905-1923) in order to tackle the encroachment of Russia in Far East Asia. The Japanese military stayed in alliance with the U.K. when World War I broke out. They attacked the German colony in Qingdao, China. Japan defeated Germany in combat in November 1914 (Dickinson, 1999, 84-85).

However, the Japanese military came to harbour a complex of being in a 'defective state' in direct military confrontations with the German army which it admired. For the Japanese, Germany was a state that could fight in remote places far from the homeland. Japan is 'a state without haves'. The collective complex of being defective developed into an interest by the Japanese military of 'total war' (Katayama, 2012).

During the Great War, Japanese military officers were dispatched to European states and Russia to observe the total war of modern warfare. Among them, officers of the 'German School' became the most influential faction in the army in the 1930s and the 1940s. Witnessing modern warfare of the Great War and the Bolshevik Revolution in Russia, the Japanese army began to form grievances against civilian political leaders. They grew concerned of the inevitable arrival of total war and the military and existential threat of Russia (Katayama, 2012).

Japanese military officers in Europe wondered how Germany was able to endure so long in the war against all of its strong enemies. Among them, three young military officers (Nagata Tetsuzan, Obata Toshiro and Okamura Yasuji) came together to meet secretly with Prince Hirohito on his tour to Germany in Baden-Baden on October 27, 1921. They saw that the First World War was a ‘total war’ and predicted that future wars would be decided by the ability to mobilise the whole nation. Mobilisation not only included the economy but the nation’s spirit as well as all military resources. The meetings evolved into Japan’s Munitions Law of 1918 to mechanise the mobilisation of natural resources for total war (Mimura, 2011, 17). The three *attendees* became a ‘German faction’ a leading group in the Japanese army. Among them, Tojo Hideki would become the prime minister to launch the war against the USA by attacking Pearl Harbor in 1941 (Martin, 1995, 211-212; Ferrell 2006, 28; Spang, 2006, 28).

The conceptualisation of ‘total war’ by German school officers developed into the basis for Japanese military fascism and the rise of the wartime economy, with the salient features of a state planned economy and heavy industrialisation. Japan had benefited from an economic boom relying on increasing exports to Europe during the First World War. After the end of the war and subsequent global financial panic of the 1920s, the instability of Japanese society left it vulnerable to the rise of militarism (Presseizen, 1969; Peattie, 1975; Katayama, 2012).

In response to the global economic recession some Japanese intellectuals introduced an intellectual support of the planned economy from Germany to Japan. They found the concept of the stages of capitalism appealing. There is no doubt on Marx’s influence among intellectuals who doubted the viability of capitalism. However, the conservatives and the military had oppressed Marxist thought throughout the twentieth century. Against this backdrop, Werner Sombart’s theory on the stages of modern capitalism emerged as the most influential piece among conservatives in Japan. While numerous publications on the government-controlled economy were published in the 1930s, translation of Werner Sombart’s *Die Zukunft des Kapitalismus* (1932) had the strongest impact in providing an ideological foundation (Yanagisawa, 2001, 175).

Along with the economic policy of Nazi Germany, Sombart’s economic theory had influenced the formation of the Japanese wartime economy. Sombart asserted that the current economic system of capitalism, *Wirtschaftsgesinnung* in particular, based on liberalism and individualism had lost its supreme authority. It had experienced considerable changes in its properties such as its mentality, order, and technology. Sombart stated:

Now we can find that the current capitalism as a widespread economic system that it certainly has lost its supremacy as it once possessed... Since the capitalist economic system itself has undergone substantial changes, in which it proves the properties of an economic system to follow: as changes in the 'economic mentality', order and technology... The order which is in accordance with the capitalist economic system is free, maybe we call it individualistic, recently, it has established a decision of Reich's Supreme Court when it said (Sombart, 2002, 440-441).

Sombart asserted that, in future, capitalism could not go back to the liberal and individualistic model because of the increase in the dominance of the system, and development technology. He stressed that advanced technology is the most important factor for undermining liberal capitalism. Therefore, he was convinced that the incorporation of the planned economy (*Planwirtschaft*) in opposition to the free and individualist market economy was inevitable in future. For Sombart, the planned economy should be comprehensive, unified, and diversified to all areas of economic life (Sombart, 2002, 448). Alongside Nazi economic doctrines that would be introduced in the late 1930s, the influence of Sombart's *Die Zukunft des Kapitalismus* in Japan was so profoundly influential and far-reaching that it formed the entire ideological foundation of Japan's permanent wartime economy (Kerder, 1999, 35).

Some Japanese military elites from the Japanese Military Academy and bureaucrats from the Imperial University who were in line with the 'German school' experimented on the wartime economy after invading Manchuria in China in the 1930s and 1940s. Ishiwara Kanji (1889 - 1949), who studied in Germany from 1922 to 1925, was the most influential military thinker in Japan. During his stay in Germany, he contacted military officers from the German General Staff to give him private lessons and help develop his theory on military strategy. He became familiar with 'total war', a concept developed by Ludendorff. From his study of state waged total wars of attrition in Europe, Ishiwara anticipated that future wars between nations would be conducted not by troops but the 'total' mobilisation of the state (Mills, 2008, 51).

After finishing his studies in Germany, he delivered lectures at the Army Staff College from 1925 to 1928. His lectures focused on his theories and the military history of Europe that encompassed Napoleon, Moltke, and the First World War. In his theory of 'the final world war', he argued that Japan should prepare for an inevitable conflict with America

where the state would need the total mobilisation and rationing of all resources (Peattie, 1975, 49-51).

According to Ishiwara, Japan does not have enough resources to fight against the mighty US. Therefore, Imperial Japan should take over Manchuria and China in order to obtain enough resources to defeat the US. Similar to core-periphery in world system theory, the role of territories in Imperial Japan divided as follows: Japan as the core; Korea and Taiwan as a periphery and military logistics bases; and Manchuria and China as Japan's hinterland for obtaining resources (Iguchi, 2006, 76).

Ishiwara was later given a position in the Kwantung Army in Manchuria in 1928. There Ishiwara decided to invade Manchuria alongside other rogue Japanese military personnel in 1931, based on his vision. Along with Seishiro Itagaki (1885-1948), he drafted the plan for the Mukden Incident as a pretext of protecting the Manchurian railway. Along with his plan, Manchukuo, a puppet state, was established by the Japanese Kwantung Army (Ferrell, 1965).

Along with Ishiwara, Kishi Nobusuke (1896-1987) was another bureaucrat of significance who played a pivotal role in establishing Manchuria and designing the architecture of the postwar political economy of Japan. As a bureaucratic leader in economic policy for Manchuria, Kishi is credited with developing the state-controlled industrial policy of the Manchurian puppet state that was to be emulated by postwar Japan and South Korea. His economic policy originates from his study in Germany. Kishi went to Germany to study the industrial rationalisation movement from May to November in 1930. He submitted a report on German control of industry which became influential on the path that Japan took. As to his study on Germany he stated as follows:

German industrial rationalisation, like the movement of elsewhere, was devoted to technological innovation in industries, to the installations of the most up-to-date machines and equipment, and to generally increasing efficiency. What distinguished the German movement was its emphasis on government-sponsored trusts and cartels as the main means of implementing reforms (Kishi, cited in Johnson, 1982, 108).

As Minister of Commerce and Industry, Kishi stressed the role of government in drafting economic plans and supervising the implementation of these plans in 1942, indeed 'the state expected the control associations not only to participate in drafting important policy because their knowledge about the industries was essential for any pragmatic policy, but also

to play a major role in helping the state carry out its policy' (Kishi, 1942 cited in Gao, 2001, 433).

Kishi argued for the army's program of total war mobilisation and heavy industrialisation in Manchuria and in Japan's wartime economy in the late 1930s and early 1940s (Mimura, 2011, 85). Kishi's economic policy had a formative impact in Far East Asia. During the formation of a wartime economy, the German ideology of economic law exerted a great impact on Japan. During the World War I, Germany ended the function of the legislative and gave the executive office of the German state absolute power in both administration and legislation. Based on the Delegated Legislation Law of 1914, the German state could issue numerous executive orders to control the economy. Japan drew on the German delegated legislation method characterised by 'the state intervention in private property rights and the market economy, the tremble of the business contract, and a new organisational pattern of business and industry under strong control of the state (Kikuchi, 1943, 3; Gao, 2001, 434-435).

At the end of the war, Kishi survived the war crime trials and became a major actor in the most important events in modern Japanese history by playing a leading role in re-establishing a wartime economic system in postwar Japan after he had become prime minister (1957-1960) (USA. Central Intelligence Agency, 1974; Noguchi, 1998, Sasada, 2008; Kang, S.-j. and Hyun M.-a., 2010; Mimura, 2011).

Ishihara and Kishi were two pillars in the establishment of the 'military-technocratic alliance' in Manchuria. Military officers from the Japanese military academy and bureaucrat graduates from the Imperial University embraced technocrats in their organisation of the planned economy and heavy industrialisation (Mimura, 2011, 3-4).

After World War II, this wartime economy continued to survive in Japan and her former colonies South Korea and Taiwan (Gao, 1997). Noguchi argued that the '1940 system' -Japan under the wartime economy- continued to be maintained in postwar Japan. Noguchi cited a symbolic example of the Law for The Bank of Japan as 'one of the most important laws guiding Japan's financial system'. Modelled on the German *Reichsbank* Law of 1939, it was enacted in 1942 in order to perform its sole mission of accomplishing the goals of the nation. However, it remained in place until 1997 (Noguchi, 1998, 406).

Sasada (2008) argued that the developmental state of postwar regimes in Far East Asia had its roots in the institutional origins and evolution of the wartime economy of Manchukuo. In his PhD thesis, 'the institution of the developmental state system-pilot agencies and industrial associations – which emerged in Manchuria and then was adopted in

wartime Japan – continued to play an important role in the postwar Japanese economy’ (Sasada, 2008, 297). Sasada claimed that the bureaucrats kept their strong faith in the wartime economic ideas and institutions like the ‘Economic General Staff Office’ in their ultimate aim of establishing autarky and a national-defence economy (Sasada, 2008, 309). Finally, according to Sasada, it is very likely that President Park established a developmental state system in postwar South Korea by emulating the Manchurian system because Park had served as a lieutenant of the Japanese Imperial Army in Manchuria during the war and he and his coteries in his administration had very close ties to those Japanese politicians and bureaucrats who had served in Manchuria (Sasada, 2008, 322).

3. Overcoming modernity through Ranke and Hegel: a background for Asian regionalism

In 1940, Japan proclaimed the creation of ‘The Greater Far East Asia Co-Prosperity Sphere (大東亜共栄圏 *Dai-tō-a Kyōeiken*)’ after invading Manchuria and dismembering it from the League of Nations. The Japanese military wanted to enforce its own version of the Monroe Doctrine and use it to justify their military conquest of neighbouring states. The Monroe doctrine was a policy of the United States to prevent the intervention of European states in the American Continents. Japan also intended to build an autonomous bloc of Asian nations free from the Western colonial yoke and under the leadership of Imperial Japan. Japan argued that their intention was the liberation of Asia from the control of Western Imperialism.

For this purpose, the military looked to the insights of the philosophers of the Kyoto School for the development of doctrinal justifications during planning of the Greater Far East Asia Co-prosperity Sphere. The Kyoto school (京都学派) refers to the Japanese indigenous modern philosophical movement centred at Kyoto Imperial University. In response to the request by the Japanese military, Japanese intellectuals from Kyoto Imperial University gathered for a series of discussions from November 1941 to November 1942. The transcripts of their discussions were published in the journal in *Chūōkōron* (中央公論) and some of them in books (Calichman, 2008; Williamson, 2014).

The Kyoto School drew on the humiliation of Imperial China by Western civilisation to justify the Japanese invasion of China. They were attracted to German historians’ attempts at understanding the international relations of the nineteenth century (McClelland, 1971, 97). They valued ideas of Ranke’s spirit such as ‘moral energy’ and Hegel’s world history to

develop the Japanese total war doctrines that underpinned total war through cooperation between the military and the philosophers in the 1940s (Williams, 2014, 5-7).

Ranke, a German historian, was valued for his influence on the formation of modern historical theory in the Japanese Empire. Ludwig Rieß (1861–1928) was sent to Japan through an intervention by Hans Delbrück (1848-1929), the first professor who was invited to establish a department of history at the Imperial University of Tokyo from 1887 to 1902. As a disciple of Delbrück (1848-1929), Rieß was strongly influenced by Leopold von Ranke's universalistic concepts of World History (Nishikawa, 2008). Through Rieß, Ranke's historical method and his concept of 'the moral energy' were introduced in Japan. According to Ranke, the state in the new era must be organised internally to succeed externally as follows. In particular, he stressed 'the moral energy' while he regarded tangible resources like military forces and economic power as an illusion:

Those states, produced by the enterprise of a conqueror and the dissension among his successors, had neither possessed nor been able to attain any individual principles of existence. They were based on soldiers and money alone... With us it also appeared as if only the extent of our possession, the power of the troops, the amount of wealth, and a certain share in the general civilisation were of value to the state. If there were events qualified to dispel such an illusion, it is those of our time. They have made the public aware how important moral strength and the sense of nationality are for the state... As we are now attacked by a spiritual power, so must oppose it with spiritual force (Ranke, 1973, 99-100).

Furthermore, Ranke addressed the historical pattern of the rise and fall of the European powers from the 17th century to the 18th century. Ranke articulated in his essay on 'the great powers (*die grossen Mächte*)' that the 'the struggles among great European powers had become so intense that the domestic character of a state must be shaped above all to meet the constant challenges that the rivalries and wars posed; (Ranke, cited in Pyle, 2007, 25).

The impact of Ranke's thought on the Japanese political field beyond historical studies began with Kurakichi Shiratori. (1865-1942). He was a teacher of the Japanese Emperor Hirohito who graduated from Tokyo Imperial University. Shiratori used Ranke's methodology for explaining *kokutai* the Japanese national entity and 'universal spirit' to legitimise the Japanese political entity within the imperial ideology (Wetzler, 1998, 103). Shiratori praised Ranke's ability to reveal historical facts and rewriting history by

synthesising the general trends. Shiratori was fascinated by Ranke's emphasis on 'dominant emphasis' in his book *The history of the Popes* (1901). Ranke claimed that Protestant progressivism was a 'dominant tendency' in the German rise from the priority of the spirit over the secular world' (Tanaka, 1993, 64-65). Afterwards, the Kyoto school scholars drew on Ranke's 'moral energy; especially a sense of nationality. Among them, Nishitani argued that Japan is facing a newly emerging world order and 'moral energy' was required as follows:

For a people to be able to step anew into the midst of an established world order and maintain positive continuity with itself, moral energy is required. Only then can a nation take shape on the basis of its people. In so doing, the nation as much may be said to be a manifestation of the moral energy of its people. Thus, as bad as the terms 'nation centered' and 'nationalism' sound to the democratic ear, they are actually of great moral significance... Japan is currently charged with the role of leadership in Greater Far East Asia, and for this, moral energy is fundamental... When there is self awareness of unity as a people and this becomes the cornerstone of the nation, the nation itself can be seen as a manifestation of moral energy. Present-day Japan's leadership in Greater Far East Asia, therefore, hinges on that same moral energy. As for the nature of Japan's leadership, it consists in transmitting its own moral energy to the other peoples within the Greater Far East Asian Sphere, to awaken it within them, and bring them to awareness as a people - that is, to their subjectivity as a people (Nishitani, cited in Hesig, 302-303).

Along with Ranke's moral energy, the Kyoto School, introduced stages of world history based on Hegel's critique of Kant. Nishida a leader of the Kyoto School defined a model for states in the modern world order: (1) the eighteenth century as a period of 'individual self-consciousness' and liberalism, when the states did not yet stand in opposition against each other; (2) the nineteenth century as the period of 'national self-consciousness' and mere opposition of the nation states; and (3) the twentieth century we witness the beginning of a new world historical era, in which this mere opposition has to be overcome and a new step of world formation has to be taken (Uhl, 2008, 15)

According to the concept of stages by Nishida, the League of Nations springs from a 'world-idea of the eighteenth century' in the eighteenth century that stands in line with Kant's moral philosophy and the perpetual peace (Kant, 2006). While the Kantian view on peace

among a cosmopolitan community of individuals respecting each other and independent from the states emerged in the 18th century, the rise of the nation state in the nineteenth century had undermined the validity of the Kantian paradigm. Therefore, the doctrine of the League of Nations was inevitably outdated and to be dismantled. Based on historical stages, Kosaka a philosopher of the Kyoto School argued that the Kantian paradigm had lost its historical connection:

Because they are essentially transcendental ethic, the morality of Kant, too, is without any connection to history. But the nations and states, which are moving amidst history, are in fact deeply related to history. Because this has been forgotten, a kind of ethic, which have separated themselves from history, became thinkable (Kosaka, cited in Uhl, 2008, 116).

In addition to the historical links to Kant's paradigm, the Kyoto School adopted Hegel's views on selfishness of the individual as 'Individuals, as citizens of this state, are private persons who have their own interest as their end' (Hegel, 1991, 224). For the Kyoto School, Kantian perpetual peace based on mutual respect of individuals was dubious:

The recognition of the freedom of the other', has in view only the empty, abstract human being, respectively the empty, abstract 'nation/people'... Accordingly any such order of freedom and equality must remain merely formal. So under the surface of this formal freedom and equality, the unlimited excesses of passion and the exploitation of the weak will take place in an even more perfidious way... This is, what I called the deceitful nature of democracy (Nishitani, Cited in Uhl, 2008, 117).

The Kyoto School used Ranke's 'moral energy' and Hegel's philosophy of history to coin a concept of the Japanese 'overcoming modernity'. They justified their military conquest of neighbouring states and war against the West. For the Japanese military, the 'moral energy' and Hegelian 'stages of world history' denoted a national consciousness that was required to strengthen Japan's internal statist mobilisation. Stefan Tanaka, a specialist in modern Japanese history, commented on the Japanese deployment of Ranke as a 'means of creating true Japanese history and establishing Japan's national identity' and to justify imperialism:

The imperial system became that universalistic spiritual force that both placed Japanese within the history of mankind and made them unique. Like Leopold von Ranke's and Hegel's ideas on the combination of spirit and history, this Japanese variation allowed them to explain themselves as well as their connection to both China and the West. And also like those German historians' propositions, it provided authoritative evidence of what Japanese should not become (Tanaka, 1993, 21).

The ambitious Japanese plan for the construction of a Co-Prosperity Sphere was officially crushed when the USA dismantled Japan's Empire and allowed the independence of Korea and delivered control of Taiwan to the Republic of China in 1945. However, the US witnessed the victory of the Communist Party in mainland China in 1949 and a subsequent bloody military confrontation with Communist China in the Korean War. American Cold War strategy ordained that the Japanese Co-Prosperity Sphere, with a few modification, was once again revived with a focus on economic cooperation between Japan and former colonies South Korea and Taiwan to form a bloc against Communism in East Asia (Johnson, 1993, 216). In the case of South Korea, Hegel and Ranke in the Japanese context was surreptitiously reintroduced into school textbooks and writings for the public during the Cold War period (Min, S.-h. *et al.*, 1984).

4. Concluding Remarks

In the last century, Japan had developed a totalitarian state model which featured an imperial ideology based on the 'social monarchy' to alleviate class conflicts and the supremacy of the military in response to Western imperialism. First, Lorenz von Stein's formulation had a formative influence on Meiji Japan which emphasised 'social monarch' a state-led social policy to prevent class conflict in the new industrial society and any revolutionary movements posed by the proletariat. In line with Hegel's view, Stein taught a concept of society as a mixture of a conflicting unity to the Japanese conservative elites (Lehmbruch, 2001, 59-60).

Stein's teachings to Japan raised the Japanese Emperor as head of the nation state to play a 'social monarch' above society. Under the state architecture as designed under Stein's recommendation, the Japanese Army was placed between social monarch and civilian society free from civilian control. This military autonomy from society became a seed of military

fascism in Japan. Moreover, Japanese conservatives were attracted to the pre-emptive nature of preventing class conflicts in industrial society for the future.

The ascendancy of the Japanese military was assured with the seizure of political power in response to the widening appreciation of the crisis of capitalism in the 1920s. Based on their learning from Germany, Japanese national identity was formed as a nation under permanent crisis which consists of a 'lack of natural resources' and a security threat from strong neighbouring states.

V. Formation of 'Miracle on the Rhein'

In this chapter, we will explore how Park and his aides built up 'Miracle on the Rhein (*Wirtschaftswunder*)' as an ideal model for modernisation and industrialisation in South Korea under the name of 'Miracle on the Rhein (Park 1963). Park's conceptualised Germany springs from German influences of the earlier part of the 20th century on East Asia through mediation of Japanese Imperialism, which featured complex routes and huge discrepancies.

However, along with legacies of Japanese imperialism, the American policy makers to South Korea had also been under influence of Germany. The German intellectual lineages through the USA had formative impacts on formation of dominance of German statehood in South Korea. The American reference to Germany mainly aimed to fighting against the expanding Communist influence as a Cold War strategy.

Throughout the 1960s, Park promoted postwar West Germany as a model for South Korea to emulate. Park coined 'Miracle on the Rhein' a term for denoting the *Wirtschaftswunder* of West Germany. The promotion of Miracle on the Rhein by Park has dual nature. First, Park wished to disseminate the miracle of West Germany to point out constraint of South Korea under the similar 'systemic vulnerability' in allusion to West Germany sharing border with Communist states and its lack of natural resources. Park wanted South Korean people to be brainwashed into believing that the geopolitical conditions of South Korea are inimical to liberal political economy. Second, Park attempted to get over the American intervention into his ambition for performing heavy industrialisation and militarisation of society out of American control.

In the early 1960s, the 'Miracle on the Rhein' had remained a symbolic allusion to the German postwar economy. However, the 'Miracle on the Rhein' was marshalled generatively by Park and his coteries into the 'Miracle on the Han', the political aim of building a heavily industrialised self-reliant economy with the aim of building-up of self-defence capabilities (Park, C. H., 1970b, 143-151).

At the outset of this chapter, the influence of German social thoughts on American policy makers to South Korea will be explored to understand the rise of German statehood in the 1960s and 1970s. Then, this chapter provides background of 'Miracle on the Rhein' and analysis of their discourses.

1. German influence on South Korea through American adaptation

Among American intellectuals, theories of Montesquieu, Locke and Adam Smith are commonly regarded as three pillars underpinning a view that conceptualizes a government as being a rational construct for securing principles of individual liberty, equality, and sacredness of property ownership, and *laissez-faire*.

However, from the late nineteenth century to early twentieth century, American social reform was heavily inspired from Germany. At that time America underwent a chaotic period coming from industrialisation, rapid urban growth and constant influx of new immigrants. In response to this turbulence, many American intellectuals turned to German social model. America saw upsurge in boom of German organic political and social theory, which caused a transient stampede of young scholars into Germany. This American scholarship of German social thoughts intellectually underpinned Progressive Era and New Deal (Nagler, 1997, 143-143; Schäfer, 2000, 11-13; Rosser, 2010).

German legacies in the USA survived among some American foreign policy makers to South Korea. For them, American reference to German social thoughts in face of social turmoils had an affinity with South Korea pending modernisation and industrialisation. This section provides a brief background on German influence on American policy makers to South Korea such as Arthur Bunce, W.W. Rostow, Gerhard Colm, and Charles Wolf.

Arthur Bunce (1898-1965) had worked as a missionary in north part of Korea until he was expelled by the Japanese government from 1928 to 1934. In 1937, Bunce obtained a PhD in agricultural economics at University of Wisconsin with his dissertation 'Economic nationalism and the farmer' (Bunce, 1938). At that time, the University of Wisconsin was under strong influence of German Historical School of Economics.

In the early part of the 20th century, University of Wisconsin was a centre of 'Wisconsin Idea' a German styled-social philosophy that had been introduced through large population of German immigrants in Wisconsin and strong penetration of German Historical School of Economics into American professors from 1870s to 1920s (Schäfer, 2000, 38).

Richard T. Ely (1854-1943) was a pioneer in establishing a school of German Historical Economics, land economics, city-planning, agricultural economics in America. Furthermore, he rejected capitalism and natural right to property and played an influential role in the rise of Progressive Era in America.

He obtained a PhD in economics under supervision of Karl Knies (1821-1898), a German economist of the German Historical School of Economics at University of

Heidelberg in 1879. Ely was an influential professor at department of Agricultural Economics, University of Wisconsin where his socialistic doctrines of teaching, based on his study in Germany, were used from 1892 to 1925. The Wisconsin school nurtured leading figures in social policy against liberal and *laissez-faire* during the Progressive Era (1890s to 1920s) and the New Deal programme. Many of Wisconsin economists were employed in New Deal agricultural policies (Rader, 1966, 13; Bradizza, 2013, 3).

Bunce lies in the strong intellectual tradition of Wisconsin Ideas. Professor Benjamin Horace Hibbard (1870-1955) obtained his PhD under Ely in 1902 (Vaughn, 1998, 39). He supervised Bunce's doctoral dissertation (Hwang, Y.-h., 2009, 148 - 166).

During the American military occupation in South Korea, Bunce was invited to Korea as a leader of economic advisors. He drafted socialist-styled land reform and recommended economic planning and state-controlled economy in South Korea. The land reform was adopted later as one of the most important events in the history of South Korea. Furthermore, most of his recommendations on the planned economy had been implemented from the 1960s to 1980s (Lee, S.-m., 1991, 46-91).

Walt Whitman Rostow (1916-2003) was a central scholar of the modernisation theory who developed his own theory on 'five major stages of growth' in 1960. He borrowed his ideas from *Buddenbrook*, Thomas Mann's first novel on the first generation of a German family starting from the Napoleonic War (Rostow, 1960, 162). Rostow directly intervened into Korean affairs after the military coup to apply his theory on stages of economic growth. Rostow believed that South Korea could reach the economics 'take-off' in the 1960s despite the dominance of pessimistic view of President Kennedy on South Korean economy. Rostow visited Korea to explain directly to Park Chung Hee on conditions required for the 'take-off' stage of economic growth in 1965 (Lee, S.-d., 2002, 24-25).

Finally, Gerhard Colm (1897-1968) was a German-American economist. Colm as a member of so called 'Kiel School' taught at the University of Kiel until he immigrated to USA in 1933. Colm is best known as a chief economist of the National Planning Association under the Roosevelt and Truman administrations (Fiorito and Vernego, 2011, 91).

Charles Wolf was an economic advisor to South Korea who played a pivotal role in introducing Five-Year Economic Planning to be implemented by Park's regime. Wolf used Colm's economic planning in writing the draft for South Korea as 'The macroeconomic framework used in formulating the plan was a Colm-type model which had originally been developed in connection with growth and employment projections for the U.S. economy'.

Charles stressed that the Colm model was the labour-oriented focusing on employment as the main objectives (Wolf, 1962, 23).

The features of influential American scholars to Korean affairs under German impact include rejection of sacredness of property ownership, evolutionism in economic growth, and state-directed planned economic policy aiming for economic stabilisation in contrast to mainstream economic theories in the USA. This deviant American adaptation of German developments produced a basement for Park's reference to Germany.

2. Military Junta's interest in Germany

Park's interest in Germany originates from Park's efforts to mobilise financial resources in launching a heavy industry policy in 1962. Then Park was clandestinely preparing a currency reform to mobilise private financial resources to banks for funding heavy industry (Kim, T.-h. and Baik, C.-j., 2011, 68). Prior to Park's regime, Ludwig Erhard (1897-1977) Minister of Economy, West Germany visited South Korea for economic cooperation between the two countries in October 1958. During his stay in South Korea, Erhard discussed with Korean economic bureaucrats on the currency reform in 1948 which was implemented by himself. His statement on the currency reform and its consequences were dealt with in major newspapers (Donga-Ilbo, 25 October 1958). According to Kim, Chung-yum, in his preparation for the currency reform of 1962, drafted a plan based on West Germany's currency reform implemented by Erhard in 1946 as follows:

The reform [West German currency reform] helped to pave the way for economic reconstruction and development, the so called 'Miracle on the Rhein'. Currency reform can help to check inflation by retiring old currencies and restricting demand deposit in the private sector while promoting economic development. The funds that are mobilised by restricting demand deposits can be channelled towards economic development without causing inflation (Kim, C.-y., 2011, 109-110).

Kim had submitted the document on his investigation of the currency reform in West Germany to American advisors. However, the USA disapproved of the idea. In spite of American opposition, Park performed the currency reform in 1962, which was seen as a provocation to US policymakers. Due to this event, American diplomats noted that Park and his officers in the military junta had an interest in the German model:

From the first year of the year 1962 until May, the economy had been running well and the outlook was promising, but that such measures as the currency measure 'reform' would have a serious adverse effect on it. The German postwar revival would have been a model for certain Korean planners, who had studied it and 'fondly hope produce a 'miracle on the Han'' (Macdonald, 1992, 293).

Colonel Yu, Wŏn-Sik was a member of the Park's military coup. He was educated in a Japanese military school and served as part of the economic staff for Park during the military junta (1961-1962). Yu was known to have encouraged Park to turn to the German model. Yu argued for turning to West Germany to counterbalance the excessive American assistance to South Korea. He reasoned that:

'If our industries were built by German capital and Korea's economy became more dependent on the West German economy then our political relations with West Germany might surpass our political relations with the United States.' If this occurred, he believed, the United States, which had already invested vast quantities of its human and material resources in Korea, 'would not be able to look on as a spectator' (Yu, W.-s., cited by Brazinsky, 2005, 95).

At the time Park's economic staff identified US aid policy to South Korea as the main reason for the backwardness of South Korea in the 1950s. They believed that the American aid policy was designed primarily for America's own economic interests. Furthermore, they were critical of the fact that the UA had been providing non-durable products and food. For them, the lack of any long term vision for economic planning in South Korea by the US was impeding Korean economic development. Hence, they hoped that West Germany could be an alternative to the US aid and attempted to contact West Germany. As to the direction of economic development in South Korea, there was a conflict between Park's men and US advisors. Park was obsessed with launching a heavy industrialisation program. However, the US strongly opposed Park's ambition for heavy industrialisation. Hence, Park and his coteries believed that West-Germany would understand the circumstances of South Korea and they contacted West Germany. Their efforts paid off with the reception of economic and technical aid from West Germany. However, the US was concerned with Park's attempts to contact Germany and his attempts to find an alternative to the US (Macdonald, 1992, 289).

Park promoted his preference for the German model in his preparation for the presidential election. In 1963, Park published a book *The country and the revolution and I* (1963) which is considered as his seminal publication. The book aimed to disseminate Park's political vision as he was preparing for the presidential election of 1963. The thrust of his book was that South Korea should aim for the establishment of a self-reliant economy based on heavy industry. In particular, Chapter V of the book *Miracle on the Rhein and German people* promotes postwar West Germany as a model for South Korea. In the book, Park, for the first time, published the idea of the 'Miracle on the Rhine' in his hope to emulate it with a 'Miracle in the Han' (Park, C. H., 1970, 143-151).

2. Park's visit to West Germany in 1964

After being elected President, Park contacted a few foreign states in order to ask for an economic loan for economic planning, West Germany was the only country that agreed to provide an economic loan. The US declined to offer an economic loan by explaining that South Korea was a recipient of massive economic aid from the US. Japan also rejected the request due to lack of diplomatic relations with South Korea. Until the normalisation of diplomatic relations with Japan in 1965, the West Germany ranked second to the US in providing economic and technical assistance to South Korea (ROK. Public Information Bureau, 1964).

A year later, Park went to West Germany to seek another economic loan in December 1964. Park's visit was influential on the formation of Park's identification of Germany with his ideal model in economic and educational policy (Synott, 1995). Park made a speech on his inspiration from Germany during his sojourn in 1964:

What I learned from my visit to West Germany is the fact that the economic reconstruction of West Germany was not achieved by miracle. This was achieved by the endurance, savings and diligence of West German people to rebuild their economy despite the devastating ruin in the postwar period... Surely we have a lot to learn from the German people. We have to learn from their simplicity, savings and endurance. We have to learn also from their unity, cooperation and patriotism. Now we have the responsibility to render glory to the nation, to the fatherland, and to our history, and then bequeath it to our posterity. Otherwise, posterity will blame us, as we often do our ancestor (Park, C. H., 9 December 1964).

Subsequent to his visit to Germany, Park contributed a column to the *Donga-ilbo* a leading newspaper in South Korea on 24 December 1964 called ‘Impressions of my visit to West Germany’. In his views on Germany, Park particularly praised the German landscape:

German villages are characterised by organic relation with small manufacturers. The interdependence between villages and towns for mutual development is, I think what we have to learn... The forest is thick around every German village. I envy German people their trees with loving care... It seems to me that the climate of Germany is similar to ours... Perhaps nature has an influence on German temperament. There is nothing trivial or luxury-loving about them. Generally speaking, they are solemn, taciturn, frugal, sturdy, logical and speculative, which seem to be a product of nature. To my mind the great writers, philosophers, artists, politicians, and generals whom Germany has produced and about whom I learned at school fit with the nature of Germany (Park, C. H., 1970c, 24).

Park’s impressions of the German landscape had become a cornerstone of Park’s fabrication of a fictionalised Germany that he used as justification for his dictatorship in the 1970s. In particular, Park sought to emulate the German *Autobahn* and the reforestation of Germany as the ultimate aims for his dictatorship. According to Lim, Bang-hyŏn, a secretary of Park, Park had expressed in a private conversation his aspirations for dictatorship: ‘It is true that I have stayed in office for a long time. Although I am called a dictator, I will work until the rural lands become like the picturesque German landscapes that I visited in the 1960s (Lim, B.-h., 2005).

3. Formation of ‘Miracle on the Rhein’

After Park’s visit to Germany, Park’s promotion of Germany began to take shape in a concrete way. Park introduced his concepts of the ‘Miracle on the Rhein’ into the educational curriculum. To achieve this, Park mobilised his intellectuals to create a fictional Germany that served his purposes. In 1965, Gerstenmaier, a former President of the West German Bundestag contributed in *Der Aufschwung Deutschlands* a commentary on Park’s own writings on the ‘Miracle on the Rhein’. The main thrust of the piece was that Erhard had performed the currency reform in resistance to American efforts to de-industrialise the Germany economy:

Just after World War II, Germany fell to ruins without any useful pebbles. Germany had a small number of factories and machineries, but the occupying military force took them all. Like this, we were totally demolished and robbed of all except our fundamental property that could not be taken away. This property does not mean money and property. This means diligence, perseverance, technical and manual capability, and culture. From this capital, the German people started again (Gerstenmaier, 2007, 112).

According to Gerstenmaier, Erhard had foiled the American plan to destroy German industry. Just after the war, the US attempted to reshape western Germany under the control of Western Europe. In 1944, the United States once considered the ‘Morgenthau Plan’ which aimed for the ‘pastoralisation’ of Germany, a German economy without industry (Erhard, 1958, 82-83).

At that time, the West German economy was under control and rationing which generated a barter economy and black market. Cigarettes and chocolate were used as a medium for transaction on the black market. The food situation was terrible in Germany. In response, the US provided a great deal of food relief to Germany. However, Johannes Semler, the German director of economic administration for the combined American and British occupation zones delivered a speech in January 1948. In his speech, he complained that what America was sending Germany was not wheat but rather ‘chicken feed’. This speech infuriated Clay, the American General, so he fired Semler. To replace him, Clay appointed Ludwig Erhard (Yergin and Stanislaw, 2002, pp .15-16).

Erhard was an economist who belonged to *Ordoliberalismus* of the Scholars of Freiburg School. They supported the free-market mechanism in opposition to Hitler’s statist economic policy. Erhard performed a seminal overnight currency reform by replacing *Reichmarks* with new *deutsche Marks* in order to abolish the black market. The market economy restarted in West Germany (Erhard, 1958, 13; Glossner, C., 2010, 125- 126).

These historical events in West Germany appealed to Park. Park saw that the ‘Morgenthau Plan’ to demolish German industry was an equivalent to the American impediment to his aspirations for launching his heavy industry program in the early 1960s. Park used the historical context of Fichte’s *Addresses to the German Nation* in Prussia under Napoleonic invasion to produce parallels with Erhard under the occupying American military force. Moreover, these parallels could be expanded to the ‘Miracle on the Han’ in Park’s push

for heavy industrialisation in the face of American opposition. This became one of the key elements of Park's fictionalised Germany.

Gerstenmaier's writings were included in the Korean language textbook for the first semester of the second-year of lower-secondary school and taught from 1966 to 1973 (Gerstenmaier, 2007, 112-116). Based on the 'Miracle on the Rhein', Park and his intellectual trusts developed the 'Miracle on the Han' the concept of a self-reliant economy with a focus on heavy industry. Table III-18 shows a list of Park's intellectual aides that have influenced the formation of the fictionalised Germany. Most of them were educated in the period of the Japanese colonial era. Many of them were immersed in Japanese fascism and German Nazism. Furthermore, they produced distorted social and political concepts from Japanese pseudo-translation.

In German studies in South Korea, there is a huge generational gap. From the 1970s, there was an increase in Korean students in Germany under the financial support of the Deutscher Akademischer Austausch Dienst. They began to get academic positions in the 1980 (Choi, C.-g., 1984). Before the emergence of the new generation, the older generation resorted to using Japanese translations of German texts due to the linguistic proximity between Korean and Japanese and the widespread availability of Japanese publications in Korea. In this situation, Koreans were forced to read numerous Japanese pseudo-translations of German texts and other unreliable secondary writings.

Table V-1 List of Park's intellectual trust in formation of 'Miracle on the Rhein'

Name	Education	Significant activities for President Park
An, Ho-sang (1902-1999)	PhD in philosophy, Jena University, Germany	Ministry of Education. Drafted the Charter of National Education. Promoted Nazism and Hegelian organic statehood. Introduced <i>Hitlerjugend</i> -styled military organisation into education.
Baek, Young- hoon (1930-)	PhD in economics, University of Erlangen-Nuremberg, Germany	Interpreter and economic advisor to Park during Park's visit to Germany in 1964. A member of drafter in the First Five Year Economic Plan. Produced most of fabricated stories of Germany.
Choi, Mun- hwan (1971- 1989)	Waseda University, Tokyo PhD in economics, Seoul National University, Seoul	Chairman of Seoul National University. Advisor to governmental economic and land development plan. Introduced Max Weber's theory to education.
Han, Tae- yŏn (1916- 2010)	B. A., Keiyo Imperial University, Seoul PhD in law, Yŏngnam University, Daegu	Drafter of <i>Yushin</i> Constitution. Introduced Carl Schmitt' theory to justify Park's dictatorship.
Hwang, San- duk (1917- 1989)	B.A., Keiyo Imperial University, Seoul PhD in law, Seoul National University, Seoul	Ministry of Justice Ministry of Education Introduced Max Weber's theory to education.
Karl, Bong- kun (1932- 2002)	PhD in law, Bonn University	Drafter of <i>Yushin</i> Constitution Introduced Carl Schmitt' theory to justify Park's dictatorship. Incorporated Carl Schmitt's theory to <i>Yushin</i> Constitution.
Kim, Jong-in (1940-)	PhD in economics, University of Münster	Economic advisor for Park Introduced 'Property Formation Policy' from West Germany to South Korea. Introduced economic thoughts and policies of German <i>Ordoliberalismus</i> to South Korea.
Park, Jong- hong (1903- 1976)	Imperial University of Keiyo	Secretary for President Park Drafter of the Charter of National Education Introduced Hegelian organic statehood to education.

Ryu, Hyöng-jin (1926-1985)	Went to Normal School Educational doctor, Harvard University	Drafted the Charter of National Education. Promoted Fichte's pseudo-discourse to link education and militarism.
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In addition, Park and his pool of intellectual henchmen produced further false stories. They cooked up a story of Park's visit to West Germany in 1964 where Park was to have been heavily inspired by the German *Autobahn* during his sojourn in Germany in 1964 (Keon, 1977; Kim, C.-y., 2011).

After the hypothetical visit, Park clandestinely prepared for the construction of the Seoul-Pusan Expressway. In 1967, Park pushed for the construction of the expressway without the consent of the National Assembly (Jeon, C., 2010). Through the construction of the expressway, Park aimed to produce his *magnum opus* of the 1960s. However, strong resistance arose due to Park's dogmatic attitude and questions on the economic feasibility of the project (ROK. HankukDoroGongsa, 1980).

Park turned to another fictionalised German tale to overcome opposition. The logic of the new story was that German leaders of the 'Miracle on the Rhein' such as President Karl Heinrich Lübke (1894-1972) and Ludwig Erhard (1897-1977), the Chancellor had strongly recommended to Park that he should construct the expressway in connection to the build-up of heavy industry in private conversations during his visit to Germany in 1964. In the story, postwar German leaders promoted Hitler's achievement and recommended that Park should learn from Hitler. Baek, Young-Hoon, an official interpreter to Park during his visit to Germany was the source of this fabrication. Baek had been disseminating unreliable stories in governmental publications, lectures, and documentaries. The thrust of his fabrication was that Lübke explained to Park about the first German *Autobahn* expressway from Bonn to Cologne after he received Park at Cologne Airport:

If you plan to visit Cologne, you will ride on the Autobahn. The Autobahn that was built for the first time between Bonn and Cologne is our pride. The Autobahn is the symbol of the resurrection of Germany (ROK. HankukDoroGongsa, 1980, 18).

The next day, Park did indeed make a couple of stops on the *Autobahn* to study the road and inquire on its construction while accompanied with the German protocol official. According to Baek, Erhard stressed overcoming Communism through economic prosperity

and the role of *Autobahn*: ‘the only way for a divided country to overcome Communism was to develop its economy; the Autobahn has made great contributions to the economy of West Germany... whenever I travelled on the *Autobahn*, I always expressed my respect to it’ (Kim, C.-y., 2011, 283). In addition to this story, Baek created different renditions of the story by adding Hitler in his admiration. Baek stated in quotations of Erhard:

The Miracle on the Rhein is my [Erhard’s] achievement but Hitler accomplished it. I [Erhard] went to Korea when I was a Minister. Korea has large number of mountains. With mountains, economic development is impossible. There are also many mountains in Germany. Do you [Park] know how Hitler did it? Hitler did three things. He built the *Autobahn* the main artery. He crushed mountain and built the main artery. Then the Autobahn needs transportation. *Volkswagen*. It means a national car. You should visit the Volkswagen’s factory. You should do the automobile industry. For the automobile needs steel, do the steel industry. Therefore, when you come back to Korea do three things: Autobahn, automobile, and steel industry. They are the destiny of a nation... The next day Park stopped in the middle of the Autobahn between Cologne and Bonn... Park kissed on the surface of the Autobahn. Still the German people admire Hitler in their minds. When Park came to Korea, the first thing that Park did was the Seoul-Pusan Expressway (Baek, Y.-h., 2013).

As to these claims, this research has searched for the documents in the German governmental archives to confirm the validity of these statements by German leaders during Park’s visit in 1963. However, this study could not find any evidence. Hence, this research concludes that Baek’s statement is a highly unreliable story. But it was widely diffused to promote Park’s identification with Hitler in pursuit of heavy industrialisation. This fable is still being repeated in various versions as a backbone of the creation that was Park’s ‘Miracle on the Rhein’.

4. Concluding remarks

As this chapter has shown, the formation of the ‘Miracle on the Rhein’ was not systematic and with erratic accuracy in reference to German sources. Moreover, it involved many fabricated stories and distorted interpretations. Fundamentally, the ‘Miracle on the Rhein’ was an accumulated product of improvisational post-counteraction with the aim of supporting Park’s long aspired heavy industrialisation and overcoming his crisis.

Park's encounter with Germany evolves from his personal career in the Japanese Military in the 1930s indirectly. More directly, American intervention into his plan for heavy industrialisation forced Park and his coteries to gamble on turning to Germany. Luckily, Park was successful in obtaining economic aid and inspirations for economic growth. Park employed intellectuals who were immersed in ideologies of Japanese Imperialism. Most of them could not read German texts and so relied on secondary writings by Japanese authors on Germany, which implies Park's conceptualisation of Germany is a Korean rendition of the Japanese reception of Germany with distortions.

Here, it is necessary to understand the attitudes of Park and his coteries. They were nationalistic and hostile to communism. At the same time, they were immersed in an anti-Western sentiment. The cooperation with the USA against communism mattered as communism was the first target to destroy. In the long run, they aspired to be independent from the interventions of the USA. Hence, their fictionalised Germany was their rhetorical allusion to anti-American sentiment.

VI. Re-orientation of education for the upgrading of technical human capital

As discussed in the Chapter II, in the framework of ‘systemic vulnerability’, the elite coalition in resource-deficient state is achieved through providing the ‘the expansion of education and training infrastructure’ for technical upgrade in priority. Adopting this framework, this research argues that, in confrontation to the external security threat and scarce natural resources, the education systems in Far East Asian non-communist states had economic and technological priorities in the last century. In this context, this chapter deals with how Park’s regime introduced Max Weber for technical emphasis in education and Fichte for nationalistic self-reliance and militarism as the key discourse of education.

Park’s references to Max Weber derive from his first-hand experience of vocational school of West Germany during his visit to in 1964 and the post-war reception of Japanese research on Max Weber in Japanese wish to modernise their society. Furthermore, American modernisation theorist were inspired from Max Weber as to modernisation of South Korea to fight against Communism. Hence, impacts of Weber on Park’s regime are mainly real references. However, the discourse of Fichte under Park was based on fabricated stories with distortion to justify the militarisation of society and dictatorship.

Park’s emphasis on Weber and Fichte are divided into two periods: (1) Technical emphasis based on Max Weber in the 1960s and (2) Fichte for bolstering self-reliant national defence with ultimate aims for justifying the HCIP and the dictatorship in the 1970s. First, until the late 1960s, the education of South Korea under the influence of Confucianism had been focused on literati-education in preparation for examinations for social ascendancy from 1945 to 1960s. Park regarded this trend as a social impediment to his pursuit of heavy industrialisation. By the late 1960s, Park embarked on reforming the objectives and approaches of the education system to give it the objective of upgrading technical and intellectual capital and exaggerating the external security threat to the next generations. Park regarded the main problems of the Korean educational system as being: the emphasis of meritocratic examinations in line

with Confucianism, an upsurge in enrolment of literati/ students, and shortage of skilled and technical workforces (Park C. H., 1962).

To tackle these issues, Park tabled a proposal to reform the existing education system so that it could better mobilise human technical resources for the HCIP. In the process of heavy industrialisation, capital and technology play more vital roles compared to in light industry which is heavily reliant on the manual workforce. Hence, the re-orientation of education by Park for the HCIP aimed to foster human capital with technological ability. Park proclaimed 'The National Charter of Education' in 1968 to exemplify his educational philosophy in the name of 'education with nationality'. Park's declaration of the Charter originates from his strong impressions of German vocational education during his visit to Germany in December 1964 (Synott, 1995, 37).

The ideological basis for 'education with nationality' consists of Max Weber's thesis on the spirit of capitalism for the upgrading of technical skills and Fichte's patriotic political thoughts for instilling the idea of the external threat to students. For this purpose, Park coined 'the second economy' a spiritual foundation for economic growth and modernisation as an equivalent to the Protestant ethic in the Weberian sense.

Park and his staffs were influenced by intellectuals who followed the American-style modernisation theory based on Max Weber's question on Confucian society in pursuit of modernisation. Park saw that lack of a 'spiritual foundation' equivalent to the Christian ethic in Korean society as an aspect that retarded modernisation. For Park, the Korean educational trend was still under the legacy of Confucian meritocracy which focused on the preparation for the civil service examination and subsequent social ascendancy. Park ascribed the backwardness of modernisation and enervation of militarism to the ramifications of an education system based on Confucianism, so Park needed to denunciate the legacy of the Confucian influence in education. Park espoused Max Weber's thesis on the Protestant ethic and his question on the ability of Confucian capitalism in the rise of modern capitalism. Park proclaimed the Charter of National Education to absorb the spirit of Christianity and to expedite the modernisation of Korea.

Second, in addition to the mobilisation of education for technical upgrading and economic development in the 1960s, Park wished to add nationalistic discourse into the ideologies of the education in the 1970s. For this purpose, Park adopted Fichte's *Addresses to the German Nation* which was written during the invasion of Napoleon

into education to exaggerate the security threat. Park's regime attempted to intensify anti-Communism and nationalism to justify the transition to heavy industry by emphasising the parallels between South Korea in face of the national security threat and Fichte's Prussia under the invasion of France to students. Furthermore, Fichte's patriotic narrative was used in Park's aim at self-reliance from the economic and military aid of the USA.

This chapter is organised as follows. At the outset, this study provides a historical account on the reception of Fichte and Max Weber through a Japanese refraction to South Korea in chronological sequence. In the second section, this research deals with the origin of Park's concerns on education in his preparation for heavy industrialisation. In the third section, this study analyses how Park's intellectuals turned to Max Weber to reverse the Confucian influence in education and instead prioritise technology and technical ability. In the final section, this research argues that Park attempted to produce a national but pseudo discourse of South Korea under a security threat by instilling Fichte's patriotic speeches into education but Park's efforts produced mixed results.

1. Reception of Fichte and Max Weber to South Korea through Japan

Fichte's *Addresses to the German Nation* is one of the most significant modern classical texts in Far East Asian political and educational thought although it was a marginal writing in Fichte's philosophy. Fichte's *Addresses to the German Nation* is a collection of a series of speeches from 13 December 1807 to 20 March 1808 that Fichte delivered at the Berlin Academy. Fichte's speeches were published under the context of Napoleon's invasion and subjugation of Prussia. The thrust of Fichte's message became *leitmotifs* for educational and political propaganda that still fascinate Far East Asian peoples. However, quotations of Fichte in Far East Asia for political purposes were based on intentionally erratic and fabricated pseudo-translations (Kurtz, 2012).

Fichte's *Addresses to the German Nation* was introduced to Korea from two separate channels. The Japanese colonial government promoted the interpretation by conservative Japanese intellectuals. However, there was another source. Because most of Korean intellectuals could read Chinese texts better than Japanese ones, they turned to Chinese writings on Fichte. During colonial rule, Fichte's *Addresses to the German*

Nation was regarded as one of the key texts for Japanese statehood. From the 1928 publication of the Japanese translation of Fichte's *Addresses to the German Nation*, Fichte's *Addresses to the German Nation* has been quoted in writings and newspaper articles all throughout Japanese colonial rule to the postwar era after the liberation from Japan. In Korea, Fichte's *Addresses to the German Nation* have been distorted in various ways in non-academic writings and speeches: Fichte's *Addresses to the German Nation* triggered the promulgation of moral education in Prussia to allow it to recover; Fichte's emphasis on a purified German language liberated Germany from the French cultural invasion; Fichte's support of nationalistic education and Prussian militarism was one of the roots of Moltke's eventual victory over France decades later.

Japanese intellectuals produced a pseudo-Fichte discourse to compose a piece on modern nationalism. Japanese thinkers such as Miyake Setsurei, Shiga Jûkô and Kuga Katsunan in the 1880s and 1890s developed a discourse in national identity based on the resuscitation of a glorious Japan from its humiliating relations with Western civilisations. Japanese intellectuals were inspired by early nineteenth-century Germany under French occupation. The Japanese saw the attempts of German romantic writers in their efforts to defend German culture and to define German cultural identity as a model for Japan. They believed that the Japanese situation was not different from that of Germany under French control (Anderson, 2009).

Shiga claimed that Japan should adopt Fichte's sentiment of national community by envisioning the situation in Japan's as being in equivalence to Prussia's. Shiga thus translated 'the organic mode of Fichte's idealism into the Japanese context in which the French cause was replaced by that of the Western, and German sentiments were substituted with uniquely Japanese and Oriental' (Anderson, 2009, 89).

Miyake Setsurei also stated 'Philosophy too has manifold uses... At times, as in the case of Fichte, it rouses the hearts of the people to crush the tyranny of a hostile nation' (Setsurei, cited in Burtscher, 2006, 369). For instructive examples, the Japanese developed various renditions of Fichte and Germany's situation for Japan usage. Hence, thoughts by Johann Fichte on occupied Germany became a non-Western, alternative modern thinking in the Japanese Empire. This trend continued in the twentieth century. Japanese conservative thinkers believed that nationalism in Fichte's context was a bedrock for national security. Minoda Muneki (1894-1946) was a proponent of

Japanese fundamentalism in the early twentieth century. He is credited with being a founder of Japanese right-wing ideology. He manifested his philosophy of science in verse:

Only believe you that protection of *Mikuni* [Japan] is the right science, people gathers

My friend's argument for crushing a superstition that there is no border in science is very acute...

Could be philosophy of Kant without background of German Prussia

Recall the philosophy of Fichte that arose from his patriotism after the invasion of Napoleon (Minoda, cited in Row, 2013, 427)

After World War II, Japan was forced by the US to adopt a democratic constitution. Under the new constitution, Japan was not allowed to have a military force. Some influential Japanese intellectuals responded to the new postwar system with repulsion. They regarded Japan as a colony of America in allusion to Fichte's discourse. Masao Maruyama (1914-1996) was a typical champion of Fichte's nationalism in postwar Japan. As the most influential political thinker in postwar Japan, he was a strong proponent of 'ethnic' nationalism in line with the Hegelian concept of the relationship between the state and 'civil society (*bürgerliche Gesellschaft*)' and as 'a totality of needs and a mixture of caprice and natural necessity' (Hegel, 2008, 180-181).

Maruyama advocated 'organic articulations of the Japanese social body by definition opposed to liberalism and social progress' (Anderson, 2009, 3). He is well known in Japan to have coined 'ultra-nationalism' a term for describing 'the absence of the national' as the main cause of Japan's defeat in the World War II. He divided nationalisms into pre-modern nationalism and modern nationalism. The pre-modern nationalism meant that a national sentiment where people are not allowed to think individually. For Maruyama, in the modern era, Japanese people began to think individually but their thinking did not form a responsibility to the nation. This lack of modern nationalism resulted in the defeat of Japan in 1945 (Maruyama, 1969).

To clarify his ideas on modern nationalism, Maruyama turned to Fichte. He became concerned with the increasingly submissive attitude of the Japanese people

towards the American Military Force in occupation of Japan since 1945. He decided to criticise the Japanese obedience to America by quoting Fichte's *Addresses to the German Nation*. Maruyama compared the German people under Napoleon's invasion with the abject Japanese people under the American military government as follows:

The German people under Napoleon demonstrated shameful defects, and Fichte found that they had 'gotten used to the life of slavery, and even came to love such a life so long as they could enjoy their animal pleasures'. He saw people shifting their loyalty quickly to the new foreign ruler. He saw that the former rulers, once they lost their power, were abused by the people. He saw people who had never pointed out their former rulers' faults when they were in power, now charging them as war criminals. And Fichte lamented that it was only the German people who behave so shamefully, Is it only the German people? Isn't what Fichte saw exactly what we are seeing around us every day? (Maruyama, cited in Sasaki, 2012, 30).

Maruyama continued to quote Fichte for suggesting a way of overcoming the servile attitude of the Japanese people under the control of the American military force:

Fichte said: 'If most German people had felt responsible for their nation, Germany would not have suffered this invasion... .At first, the German people had ingratiated themselves with their domestics feudal rulers and now the flattering the foreign ruler... recognised the national as the nation, regarded the nation's destiny as their destiny, and engaged themselves national affairs responsibly (Maruyama, cited in Sasaki, 2012, 31).

Maruyama claimed that a people immersed in the idea of responsibility to their nation would defend their state and that spirit could not emerge under an authoritarian ruler. This is the modern nationalism in Maruyama's sense in contrast to the pre-modern nationalism. Nambara, Shigeru (1889-1974) was the most influential and prominent public intellectual who had published on Fichte and rose to be the President of Tokyo Imperial University in 1945. Nambara was initially a proponent of the neo-Kantian view

of state as a ‘moral community’ but he ended up studying Fichte for an entire lifetime (Sugita, 2013). He selected some elements of his interpretation of Fichte’s political writings such as *Address to the German nation* and *Der geschloßne Handelstaat* to form a Nambara-Fichte analogy (Barshay, 1988, 88-96).

As the first President of the leading public university in postwar Japan (1945-1951), Nambara focused on the recovery of the university. During his presidency at Tokyo University, Nambara turned to parallels between his public speeches and Fichte’s *Addresses to the German Nation* (Sugita, 2013, 282). Nambara regarded the military presence of America as malignant. Nambara delivered a series of speeches in line with the nationalistic sentiment, Japan’s purity, and *Volksgemeinschaft*. His speeches were published, which had a large impact on postwar Japan (Minear, 2011, 21). Nambara expressed problematic concepts such as the ‘purity of Japan’ and the ‘emperor as the symbol of the unity of the Japanese people’ in his speech delivered on the Emperor’s birthday in 1946:

Soon a new constitution will be established. Even if it’s bestowed from above, it must not be imposed from outside; according to the articles of the Potsdam Proclamation, it must be decided on by the free will of the Japanese nation... And it is the unchanging essence of the unity of emperor and people that is the Japanese people’s communal body. Now, when we are back to a pure Japan, outside heterogeneous races having left, if we were to lose it of all things, the historical character and the independence of spirit of the Japanese people would be destroyed (Nambara, 2011, 184).

Up until now, this section has explored how Fichte’s text was interpreted in its introduction to South Korea by the Japanese influence. The following will describe how Max Weber came to prominence in South Korea. In South Korea, Max Weber had occupied a pre-eminent position due to his contribution in the form of *The Protestant ethic and spirit of capitalism* and his writings on the religions of China in comparative views during the period from the 1950s to the 1970s.

In particular, for Korea, Weber was regarded to have provided a comprehensive treatment of the failure of Far East Asia to modernise as opposed to Western civilisation.

Korean conservative intellectuals seized on Weber's explanation on the rise of rationalism and modern capitalism in Western Europe in comparison to the backwardness of Far East Asia. Korean intellectuals concentrated on Weber's question on the ability of Confucian societies to modernise themselves. They began to believe that Buddhism and Confucianism had impeded the rise of modern capitalism in Far East Asia. Hence they appreciated Weber's argument in their efforts to find a way of overcoming the backwardness of Korea. For them, Korea was suffering from a lack of an equivalent to Christianity as a spiritual foundation in the Weberian sense. They believed that Korea should absorb the spirit of capitalism to accelerate modernisation.

Weber fleshed out the concept of the 'ideal type' in his arguments against Carl Menger (1840-1921), a founder of the Austrian School of Economics after hefty debates on the ideal methodology of the social science between the German Historical School of Economics and the Austrian School of Economics. The German Historical School stressed the study of the historical idiosyncrasies of different countries in rejection of universalist abstract economic theories and ideas on free trade as advocated by English classical economists (Shinoya, 2005, 1). Weber espoused the 'ideal type (*Idealtypus*)' as his major methodological tool to outline causal explanation of social events and actions. The 'ideal type' is a heuristic construction utilised by the researcher who seeks to seize patterns and regularities of human actions in a group from a point of view of the research theme and the influence of social structures (Kalberg, 2005, 15).

For Weber, the ideal type 'is not a 'hypothesis', but offers guidance in the construction of hypotheses. It is not a description of reality but it aims to give unambiguous means of expression to such a description' (Weber, 1949, 90). Weber explained that the ideal type is formed through putting an emphasis on a point of the observed social action followed by a subsequent synthesis of the characteristics of patterned action into a unified analytical and logical concept:

An ideal type is formed by the one-sided accentuation of one or more points of view and by the synthesis of a great many diffuse, discrete, more or less present and occasionally absent concrete individual phenomena, which are arranged according to those one-sidedly emphasised viewpoints into a unified analytical

construct. In its conceptual purity, this mental construct cannot be found empirically anywhere in reality (Weber, 1949, 90).

In Weber's methodology, the ideal type helps to clarify a causal analysis of social actions rather than a merely descriptive comprehension of society. In addition to Weber's epistemological contribution, Weber's concept of the ideal type was used for attacking Marxist historical materialism. Weber criticised the Marxian emphasis on economic determinism with his ideal type. Weber claimed that Marxian laws and developments are also ideal types (Weber, 1949, 103).

Conservative scholars employed Weber's emphasis on idealism and culture from his recoil from the Marxian focus on mono-causality between economic determinism and historical development for the anti-communism movement. In East Asia, Max Weber was introduced through an exaggerated interpretation of Weber's recoil from Marx's materialist understanding of history by American scholars in 'modernisation theory' to underpin anti-communism. Hence, Weber was combined with Parsons to become pre-eminent among the so-called 'NATO intellectuals' of the Cold War (Russell, 1993, 256).

Along with American-style modernisation theory for overcoming Confucian backwardness, the reception of Weber in South Korea was motivated by political purposes for buttressing anti-Communism. Weber adopted the ideal type as his research strategy in *The Protestant ethic and the spirit of capitalism* to clarify the causality of ascetic Protestantism to the rise of the spirit of capitalism. In *The Protestant ethic and spirit of capitalism*, Weber purported to explain the distinguishing characteristics of Western civilisation and postulate a link between the Protestant ethic and the spirit of capitalism in the rise of modern capitalism. He concluded that 'ascetic Protestantism' was the social impetus as a causal role in the rise of modern capitalism. Weber's dedication to the sociology of religion became somewhat outstretched its relevancy in his treatment of religions of China and India (Weber, 1951; 1958).

In *The Protestant ethic and spirit of capitalism*, Weber stated that Occidental capitalism of modern times had developed the rational capitalistic organisation of free labour (Weber, 2001, xxxiv). For Weber, a rational industrial organisation is attuned to the regular market where the labour force is bought and sold. Weber juxtaposed two

more important factors in the development of capitalism: 'the separation of business from the household' and closely connected 'rational book-keeping' (Weber, 2001, xxxv).

According to Weber, the Protestant ethic is the source of the spirit of capitalism which springs from 'sixteenth-and seventeenth-century interpretations of the Calvinist doctrine of predestination. Weber focused on Luther's calling and Calvin's predestination in the historical development of Protestant doctrine. Luther introduced the concept of a 'calling' or 'vocation' to denote that everyone has a task appointed by God. To glorify God, a man should fulfil his duty wholeheartedly. The Calvinists adopted the doctrine of predestination whereby God had preordained a few to be saved while most people are to be condemned. Weber stated that 'the religious believer can make himself sure of his state of grace either in that he feels himself to be the vessel of the Holy Spirit or the tool of the divine will'. The Calvinist also wanted to be saved 'sola fide'. However, the Calvinists with suspicion demanded that their salvations be proved by its objective results. 'It must be a *fides efficax*, the call to salvation an effectual calling' (Weber, 2001, 68):

Calvinism provides people with a sign that demonstrates his being chosen by God. They can be sure of their destinies by an indicative sign that includes success in their calling and their performance in the accumulation of economic wealth through a sober and diligent performance of their ethic and in rejection of self-indulgence and laziness. According to Weber, the ethic of Calvinism formed the moral impetus for modern capitalistic entrepreneurial behaviour. Weber claimed that 'one of the fundamental elements of the spirit of modern capitalism, and not only of that but of all modern culture: rational conduct on the basis of the idea of the calling, was born from the spirit of Christian asceticism' (Weber, 2001, 122-123).

After World War II, Japanese intellectuals came to realise that Japan was still lagging behind. Marx and Weber appealed to Far East Asian conservative intellectuals like them in grappling with overcoming the quandary of Asian developmental. Although Marx and Weber were vehemently read among the intellectuals, Marx's influence outside higher education remained marginal due to the Cold War. In contrast, Weber's theory played a pivotal role in the transformation of Far East Asia in the post-war period (Makato, H. and Y. Hiroshi, 1993, 210).

Japanese economists in economic history introduced Max Weber to Imperial Japan. In the 1920s, Japanese scholars had begun to study Weber's work on economic history in their attempts to understand the rise of Japanese capitalism in the historical context. A decade later, interest by sociologists in Weber's methodology such as the 'ideal type' and *Wertfreiheit* followed. In the mid-1930s, research on Weber was expanded into various topics. These pre-war studies of Japanese scholars formed the foundation for the postwar boom of interest in Weber (Ishida, 1966, 351; Makato, H. and Y. Hiroshi, 1993, 208-209).

And indeed at the end of the War, Japan witnessed a boom in interest in Weber. Uchida Youshiki, a Japanese scholar commented that 'there is no country where Weber's work has been read more widely, or where the theoretical study of his writings had been carried out with greater vigour, than in Japan' (Makoto and Hiroshi, 1993, 207).

Hisao Ōtsuka (1907-1996) was the most prominent Japanese Marxist professor of European economic history at Tokyo University. He had a considerable influence among Far East Asian leftist intellectuals during the postwar years. Ōtsuka had a deep interest in Weber's *The Protestant ethic and the spirit of capitalism* and held it in high regard. Based on his interpretation of Weber, Ōtsuka categorised two types of ethos between a 'spirit of traditionalism' and rationalism as a 'spirit of capitalism'. The 'spirit of capitalism' is 'an ethos which prompts people to act and react positively when being faced with the task of building a modern and rational industrial organisation with a given set of factors' (Ōtsuka, 1982, 159).

In contrast, Ōtsuka assigned a 'spirit (ethic) of traditionalism' to that 'ethos which prompts to resist, or rather inevitably ignore, the attempts to build a modern rational industrial organisation and to adhere to the traditional social order and its corresponding traditional behaviour patterns' (Ōtsuka, 1982, 159). Ōtsuka accentuated, quoting Weber, that 'the growth of modern capitalism i.e., the industrialisation in the strict sense of the term, could be realised in actual terms in history only when this ethos or the 'spirit of capitalism' is widely embraced by the labourers' (Ōtsuka, 1982, 160). However, Ōtsuka claimed that Weber never claimed that Protestantism was its sole source. He argued that the 'spirit of capitalism' should be widely adopted beyond the possession of capitalist entrepreneurs and the concept of 'acquisitive greed'. Ōtsuka

devised the idea ‘human types (人間類型)’ in a short essay entitled ‘The creation of modern human types (近代的人間類型の創出)’(1946).

Ōtsuka addressed how ‘Weber’s ethos theory could be connected with a theory of human types which would support Japan’s modernisation’. According to Ōtsuka, ‘the reconstruction of Japanese democracy should follow Weber’s characterisation of the ‘modern Western and Occidental ethos’ as an ethic of ‘internal dignity’ in rejection of ‘the Asian ethos’ as an ethos of ‘external dignity’ (Makoto, H. and Y. Hiroshi, 1993, 211).

In addition to his interest in Max Weber, he combined Marxian historical materialism with Weber’s ‘general theory of the historical-social preconditions of the break-up of the traditional communities as basic components of the Asian social structure’ to devise his own theory of economic history. In his theory of economic history, he developed two types of Western economic models, one being the ‘English type’ and the other the ‘Prussian type’ in his publications to explain the economic development of Far East Asia (Ōtsuka, *et al.* 1960; 1962).

Rightist groups in Japan emerged to encounter the predominance of the left-wing Marxist historical-economic perspectives. They imported an American version of the modernisation theories modelled on the works of Max Weber and Talcott Parsons (Conrad, 2010, 84). Under the Weber-Parsons framework, Max Weber was introduced to South Korea through the Japanese filter. As to Weber’s prominence, Eckert an American scholar on Korean history at Harvard University commented that ‘South Korean intellectuals, for example, both conservative and radical, have often held up the spiritually oriented, self-made ‘Calvinist-type’ of entrepreneur celebrated in the work of Max Weber, especially his famous *Protestant ethic and the spirit of capitalism*, as concrete historical models of exemplary businessmen’ (Eckert, 1990, 145).

In particular, reception of Weber in South Korea had a more special social background. First, South Korea witnessed an exceptional upsurge in Christianity among young urban people in the 1970s (See Figure VI-1). Until the late nineteenth century, Confucianism had been the orthodox religion imposed by the state. In the twentieth century, Confucianism was rapidly becoming marginalised. Interestingly, the rise of Protestantism and the growth of GDP shared a similar pattern.

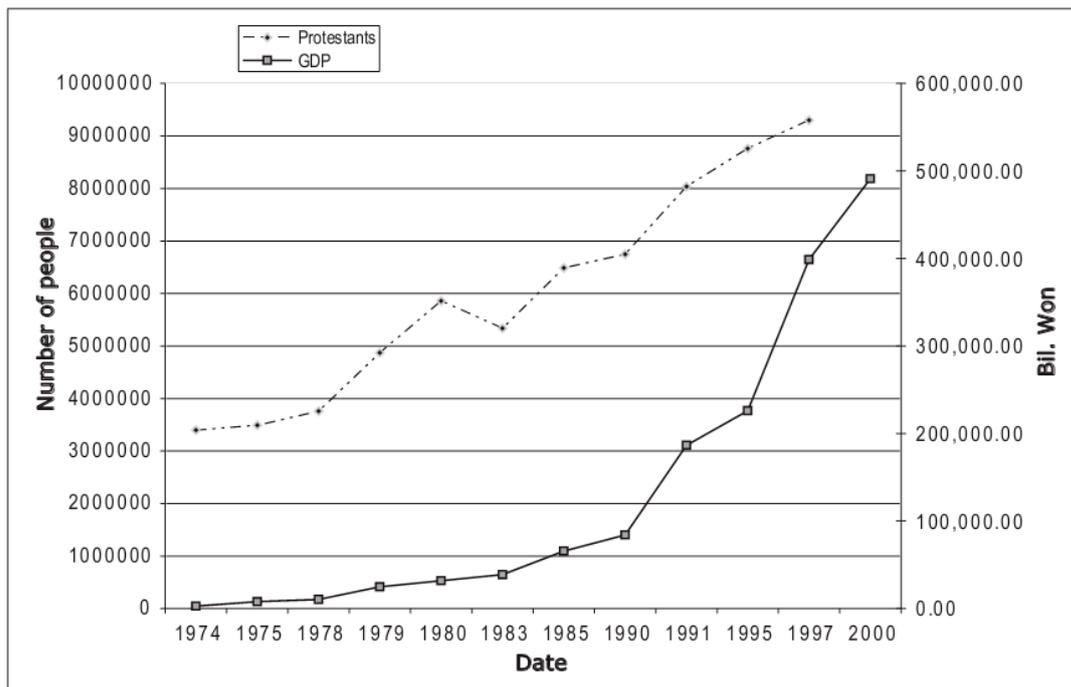


Figure VI-1 Growth of Protestantism and GDP compared

(Baldacchino, 2012, 369).

According to a governmental survey in 2005, shares of religious confessions of South Korea ranks as follows: non-religious (46.48 %), Buddhism (22.8%), Protestant (18.32%), Catholic (10.94), and Confucianism (0.07%). In particular, there was an upsurge in conversions to Christianity (Protestant and Catholic) among the younger generations (ROK. Ministry of Culture, Sports and Tourism, 2011, 15). For the Korean youth, Buddhism and Confucianism were traditional religions for the passive older generations in the rapid and compressed industrialisation and urbanisation of the latter part of the 20th century.

Second, the vulnerability of South Korean young intellectuals to the influence of communism began to become an issue in the 1970s. An American government document of 1959 predicted that the communism would not gain ground among the older South Korean generations who experienced the Korean War. However, it was estimated that those younger students who had not experienced the war would become ‘intellectual proletariats’. The term ‘intellectual proletariats’ evolves from the Communist movements led by intellectuals and students in 1934 which attempted to

galvanise a 'political consciousness' among the lowest class with the ultimate aim of Korean independence from Japanese rule (Suh, D.-s., 1967, 113). They would be easily geared towards Marxism if South Korea failed to achieve remarkable economic growth (USA. Congress, 1959, 115).

While North Korea was far ahead of South Korean in economic and military power in the 1950s and 1960s, the South Korean government had to develop a convincing argument to teach young students why they should not succumb to the temptations of Marxism. Weber's emphasis on culture and religion seemed to be an appealing logic as an educational policy to defeat historical materialism of Marxist (Lee, C.-h., 2006, 31-52).

In 1953, South Korea saw the partial translation of Weber's *Economic history* followed by a full translation of the *Protestant ethic* in 1958. Subsequently, secondary writings on Weber continued to increase from the 1950s to the 1970s (Lee, C.-h, 2006). In the West, the popularity of Parsons's functionalism contributed to the later elevation of Weber as a member of the founders of the classical sociologists alongside Marx and Durkheim in the 1950s (Kaesler, 1999).

Isolated from these Western academic trends, those with an interest in Weber in South Korea in the postwar era turned to the accumulation of translations of Weber's writings into the Japanese language and secondary writings by Japanese authors during the Japanese colonial rule. During the colonial era, most of Weber's writings were introduced to Korea. Hwang, San-Duk and Choi, Mun-Hwan were leading scholars who introduced Max Weber in the 1960s. Both of them collaborated with Park as advisors to the government and as members of the cabinet. Hwang, San-Duk (1917-1989) was the first who published a monograph on Max Weber in Korea. Hwang claimed that Korean intellectuals are immersed in Western social sciences that were not right for Korea. Hwang was an influential legal scholar who served under Park as the Minister of Justice and Minister of Education in the 1970s. Although Hwang was a faithful Buddhist, he believed that only Weber provided an academic clue to understanding the development of Asia. Therefore, Korean intellectuals should study Weber in priority as:

Reflecting our past, I recommend that we Koreans, in particular, university students should have an interest in Max Weber a great sociologist who was born

in modern Europe to learn much from him... Weber aimed for finding out ‘Why capitalism emerged only in modern Europe? Or why did the Oriental not achieve modernisation like that of the West?’ In any case, we came to know difference between the East and the West in essence. We can distinguish what we can accept or not from Western civilisation (Hwang, S.-d., 1975, 4-6).

Among Weber’s writings, Hwang focused on Weber’s question on the lack of a spiritual foundation for the rise of a rational capitalism in oriental society. He summarised two reasons for this: lack of a ‘spiritual foundation’ represented by Protestantism and ‘modern bureaucracy’ (Hwang, S.-d., 1975, 91-128). For Hwang, Korean intellectuals should learn these two elements from Weber to set off the modernisation of Korea. Hwang’s views reflect the influence of evolutionism. For Hwang, Koreans can proceed towards the modernisation according to the laws of history, if Korea is equipped with a spiritual foundation and a modern bureaucracy (Lee, C.-h., 2002, 142).

Choi, Mun-hwan. (1916-1975) was an influential scholar who is credited with having enhanced Korean social sciences in the 1960s. As a specialist in economic history, he devoted himself to studying the modernisation of Korea throughout his life. For his research on modernisation, he was influenced by Parsons’s functionalism and Ōtsuka’s treatment of Weber. Choi stated that Weber pioneered the theory of modernisation and Parsons completed it. Choi perceived the Western modernisation as a combination of developments in spirit, society and economy. He argued that the precondition for modernisation was the interdependence of ‘modern human types’ and the ‘modern bureaucracy’ as an essential element. For Choi, the ‘modern human type’ is a person who makes his living with an ascetic ethic. In addition, only such a ‘modern human type’ can play his part in the ‘modern bureaucracy’. In Choi’s view, the combination of ‘modern human type’ and ‘modern bureaucracy’ is essential for a modern society to function. He believed that the Korean people were still bound to traditionalism and Korean bureaucracy remained patrimonial (Choi, M.-h., 1977, 1288).

Korean conservative intellectuals turned to Weber’s critical views on economic determinism to argue that the ideal type only ensures the objectivity of social science in their attempts to disparage historical materialism:

If we acknowledge law of historical development in historical materialism as one of ideal type, it seemed to be convincing. However, I absolutely oppose anyone who tried to see the historical materialism as ruling law of history... It is a simple hypothesis that we should validate. In other words, we should separate the history itself from a developmental composition of ideal type. Weber seemed to regard the historical materialism as a point of view that sees various histories and events in a single perspective. At the same time, we could see various histories and events in another perspective like a religion. If the historical materialism is possible, the historical religionism is so (Kang, M., 1964, 199).

However, Weber's prominence as an anti-communist doctrine in higher education had become weakened with the decline of Park's era. After the sudden assassination of Park in October 1979, another military coup on 12 December 1979 had crushed an opportunity for a long desired return to democracy. In May 1980 the new military leaders suppressed a civilian uprising against the military with bloody violence in their long term ascendancy to political power. At the time the Reagan Administration of the US had again acquiesced to the military coup and the subsequent military dictatorship in South Korea. These turbulent events separated most young university students from the impact of Weber-Parsons-type modernisation theory espoused by the US. They became inclined towards anti-American sentiments and the spirit of nationalism (Kihl, 2005, 71).

Against this backdrop, they became inspired by '*Juche Sasang* (主體思想)' a propaganda which denotes an ideology that promotes the country's self-sufficiency as developed by Kim Il Song, the father of North Korea (Malici ,2008, 4). The combination of anti-American sentiments and the pre-eminence of the nationalistic '*Juche*' way of thinking crowded out the dominant influence of Max Weber among young intellectuals in the 1980s (Kum, I.-s., 1997; Lee, C.-h., 2002).

2. The origin to Park's concern on education

The beginning of modern education in Korea started under foreign influences. Due to the change in the dominant foreign power from Japan to the US, education was a

complicated battleground of ideologies. First, the Japanese Empire had abolished the traditional culture of Confucianism from Korean society and brought her modern education system in line with an ideology of nationalistic imperialism and militarism based on the Prussian model (Nagai, 1971). Japanese policy of education in Korea highlighted the necessity of the Korean people's loyalty to Japanese Imperialism and harmony between state and people (Oh, S.-c. and K.-s. Kim, 2000).

Japan focused on instilling nationalistic and imperial ideologies and basic literacy in elementary schools and vocational training in secondary school while restricting the expansion of higher education. Therefore, the Japanese colonial government in Korea had concentrated on the expansion of educational facilities for elementary and vocational schools (Kim, J., 2000).

Japan provided restricted opportunities for higher education. Japan established only one Imperial University in Seoul. The Imperial University aimed to educate future bureaucrats for the Japanese Empire by way of Imperial Japan's Higher Civil Service Examinations and based on the German model. The graduates from the Imperial Universities were highly likely to pass the Higher Civil Service Examinations (Spaulding, 1967).

Therefore, during the wartime period, along with the Japanese Military School, the Imperial University had the privilege of maintaining a monopolised access to political ascendancy in the spirit of meritocracy. The influence of the military school and the Imperial University continued after Korea's liberation from Japan. Along with the legacy of Confucian meritocracy, this system of meritocracy became an origin for the distorted zeal for education in South Korea. Secondly, there was another foreign influence that drew on the lack of public schools for higher education in Korea. Western missionaries like Protestants and Roman Catholics had begun to establish secondary and tertiary schools in Korea as their part of their strategy of penetration in Korea since 1885. The Paijai School was the first modern school built by Henry Gerhard Appenzeller, (1858-1902), an American missionary in 1885. In the same year, Horace Grant Underwood (1859-1916) built *Yonsei* University and the foundations of the Catholic University of Korea followed in 1885 (Kim, J., 2000, 22).

The private schools were built by Western missionaries and contributed to the expansion of opportunities in higher education, the rise of liberalism, increasing literacy

in the Korean language, and the introduction of modern Western medical science to Korea. As a strategy of propagating Christianity, they had focused on diffusing a translation of Bible in the vernacular Korean language and instituting modern medical hospitals attached to their universities (Park, Y.-s., 2007).

Finally, when the US occupied South Korea, education was regarded as being instrumental to their political purposes after the end of the Japanese colonial era. The US set the first objective of an education policy in Korea that revived the Korean national identity in line with democracy and erasing Japanese nationalistic ideology:

To encourage and assist the Koreans in freeing their cultural institutions, and the educational system in particular, from all Japanese nationalistic influences which have been forced upon the country in the past, in establishing a free and revitalised educational system and media of information, and in preserving and developing their own traditional national culture along liberal and democratic lines (USA. Department of States, 1971, 721).

Under American guidance for the re-modelling of the education system, the American military government revived the education of Korean history and language in order extirpate Japanese education and culture. The USA noted that most of the existing Korean teachers nurtured by Imperial Japan were proponents of Japanese militant nationalism and stressed the need to control them to foster liberal democracy in Korea. In an official message from Douglas MacArthur, the Supreme Commander of the Allied Powers to Lieutenant General R. Hodge, Chief Commander of the United States Army Military Government in Korea, MacArthur stated:

You [General R. Hodge] will continue to insure that all teachers who have been exponents of Japanese militant nationalism and aggression and those who actively opposed the purpose of the military occupation are removed, and, wherever possible, replaced by acceptable and qualified successors (USA. Department of States, 1971, 722).

In addition, the US encouraged the expansion of education facilities in South Korea to achieve the level of literacy and educational standards necessary for the people of a democratic and independent state. According to a US document, the USAMGIK ‘will permit, encourage, and assist in: (1) the expansion of existing educational facilities, including facilities for technical and in-plant training, (2) the opening of appropriate new educational institutions’. The American guideline had an overall impact on an upsurge in educational facilities from primary to tertiary schools in South Korea after liberation from Japan in the 1950s (USA. Department of States, 1971, 722).

However, in the case of higher education, the private sector played a leading role in accruing educational facilities during this period. The reluctance of the government to invest in higher education continued even after independence from Japan. Currently, according to the OECD indicators (OECD, 2013, 24), South Korea ranks top among OECD member states in the percentage of 25-34 year-olds who attained tertiary education (South Korea: 63.92 percent and OECD average: 38.62), but the share for private universities in South Korea is over 80% (Chae, J.-e. and H. Hong, 2009; ROK. Korean Educational Institute, 2011).

Private universities played a pivotal role in the penetration of the spirit of liberalism. Students in private schools mainly came from the middle-class because of the high cost of tuition fees. Because there is no tuition fees levied on the military schools and public universities, the public higher educational facilities were the sole outlets for social ascendancy for students from poor families. They were immersed in statist-ideology and harboured militant attitudes towards the urban students of the private universities (USA. Congress, 1959).

Table VI-1 Expansion of educational facilities from 1945 to 1975

Type of School	1945	1955	1965	1975
Elementary Schools	1,366,024 (100)	2,947,436 (216)	4,941,345 (362)	5,599,074 (410)
Middle Schools		475,342 (163)	751,341 (258)	2,066,823 (709)

Academic High	50,343	141.702	254,095	648,149
Schools	(100)	(281)	(505)	(1,287)
Vocational High	33,171	118,911	172,436	474,868
Schools	(100)	(358)	(520)	(1,432)
Higher Ed.	7,819	80,391	141,626	296,640
Institutes	(100)	(1,028)	(1,811)	(3,794)

(McGinn *et al.*, 1980, 5).

Note: indexes of increase are in parentheses, 1945 = 100.

By the late 1950s, the American government and intellectuals became concerned with the unexpected ramifications of the increase of higher educational institutes. They noted rising antagonism between public and private educational camps. The US Congressional report noted the danger of this division of class and ideology in higher education. During the 1950s, the USA came to regard the rapid expansion of education in South Korea without economic growth as a serious threat to social and political stability. Sluggish economic growth failed to provide jobs for students. Korea was confronted with mounting grievances among the young educated on their failures in society after graduation. The report noted resentment of the young military officers who were from poor families as a potential threat:

There is considerable danger that in Korea as in some parts of Asia, an ‘intellectual proletariat’ will develop a younger educated class finding insufficient outlet for their talents and energies... The opportunities for the talented children of poor families in civilian universities are very limited, due to meager scholarship funds. If they have any chance for higher education, it is usually via military schools. Thus, a number of bright young officers from the lower economic classes are emerging, filled with resentment against ‘special privileged’ civilians and politicians. This could be explosive (USA. Congress, 1959, 115).

Moreover, the US became concerned with discrepancies between economic growth and the expansion of education. In particular, the sluggish economic growth did

not produce jobs for the graduates of universities. In addition, the increase in higher education enrolments in the 1950s had been biased towards the arts and humanities. The universities in South Korea did not produce many skilled scientists or engineers. As Table VI-2 shows, graduates from higher education in the natural sciences and engineering were too limited a number to provide nation-scale economic growth.

Table VI-2 Number of graduates from higher education schools of natural science and engineering in the 1960s

Year	Number of graduates from natural science school			Number of graduates from engineering school			Total number of enrolled students in higher education	
	BA.	MA.	PhD	BA.	MA.	PhD	Undergraduate	Postgraduate
1963	1,271			1,750			105,238	2,691
1964	1,680	76	6	3,766	42	2	112,962	3,201
1965	2,166	119	4	4,359	93	2	105,643	3,842
1966	1,266	111	2	3,597	93	0	131,354	4,700
1967	1,428	153	1	3,351	159	2	124,029	48.00
1968	2,132	129	3	4,034	115	0	123,659	5492
1969	1,606	169	22	3,257	132	13	132,930	616

(ROK. *Kyoyukt'ongkyeyŏnpo*, 1965 and 1970; ROK. Science & Technology Policy Institute, 2002, 99).

In this context, Park had begun to manifest his views on education in his public speeches in the early 1960s. The thrust of Park's aims for educational policy were (1) boosting the national spirit and anti-communism, (2) expanding compulsory primary education, and (3) restricting higher education except in science and technology. In 1962, Park declared the orientation of education policy by the military junta for the first time:

I will revamp the education system with a view to enhancing the national spirit and strengthening education of technology for production during nation-building era. I will aim for full compulsory education for children at suitable age and set the number of secondary and tertiary students as far as possible in accordance

with demand from national planning. I will strengthen national organisation and national training establishing an ideology of anti-communism and democracy to concentrate on displaying all our national ability in performing tasks of the revolution and deploy a nationwide movement promoting moral and ethnic uplift to boost national spirit. I will facilitate the movement of enlightenment and relief of illiteracy and focus on boosting morale at work to advocate democratic ideas and to improve the level of knowledge of the people (Park, C. H., 5 January 1962).

During the military junta (1961-1963), Park drastically reduced annual intake of new students for university and college from around 40,000 to 11,000 and total enrolment from about 156,000 to about 44,000. The reduction were focused on the liberal arts. In contrast, Park had expanded technical education, engineering and science enrolment (USA. Department of State, 1996, 546-547).

After ascending to presidential office after finishing the military junta in 1964, Park again reiterated his aims of his educational policy as: '(1) boosting national spirit and morals, (2) promoting industry, science and technology education to build base for innovation of life and national restoration, and (3) planning national culture and art to inspire national soul' (Park, C. H., 10 January 1964). In 1967 Park had emphasised the 'mental basis' of national morality and sound ethics for material construction in pursuit of modernisation:

Modernisation should be achieved by material construction on the basis of sound national morality and sound social ethic... One of the most important tasks facing us in the modernisation program is to develop a productive and constructive conscience in our hearts and to establish a value orientation toward an industrious plan and honest life (Park, C. H., 17 July 1967).

Park's stress on the 'mental basis' had developed into the proclamation of the Charter of National Education in 1968. Turning to Max Weber, Park and his academic allies developed this reference into the backbone of Park's educational philosophy in the 1970s

3. The 'second economy': an equivalent to Weber's spirit of capitalism

Throughout the early 1960s, Park fragmentarily promoted the Protestant ethic and the German concept of *Beruf* in his books and speeches. In spite of his frequent mentions of 'Beruf' and 'Christian ethics', Park did not directly refer to Max Weber in his writings and speeches. References to Weber are found in writings by Park's staff and school textbooks published by the government. In *The country, the revolution and I* (1962), Park briefly stated that 'as against the 'exchange of labour with money' as implicated by the English language, the German word for a 'job (*Beruf*)' means being called upon to do something' (Park, C. H., 1970b, 148). Park asserted that the success of the modernisation of Western Europe owes to the spirit of the Protestant ethic and the German concept of the *Beruf* in the Weberian sense. Park regretted that the concept of sound occupation in Korea is weak due to the Confucian influence in Korea. Park denounced the attitudes of the Confucian landlord class of the Chosŏn dynasty towards the economy and the legacy of their aspirations for positions in governmental offices and in contempt for manual labour and technology. The extensive rent-seeking by the ruling class had impeded the development of a healthy concept of occupation in Korea. According to Park, the landlord class in the Chosŏn dynasty maintained their political monopoly based on economic rents:

The land system of the Chosŏn dynasty made the *Yangban* class a privileged land-owning class... Bureaucratic tyranny infiltrated the land system and the property and land of farmers were subjected to extortion and confiscation... The laziest class was the upper class for whom unearned income was guaranteed... Consequently, no sound idea of occupation was developed... This is a poignant indication that our concept of vocation is weak and that everybody has wanted ever since the Chosŏn dynasty to become officials to be supported agricultural economy. Even today farmers work hard and send their children to school to be educated and to take government jobs where they don't have to work much (such as law, and politics, etc.) and need not soil their hands again like their parents with dirty earth (Park, C. H., 1970a, 80-81).

Park expressed his strong contempt towards the Confucian bureaucrats for their lack of a national consciousness ‘that of the Chosŏn dynasty was recruited from among Confucian scholars and intellectuals... The Chosŏn dynasty was completely devoid of formative factors for the development of a sense of social solidarity, of consciousness of a common national destiny’ (Park, C. H., 1970a, 55-59).

As an alternative to Confucianism, Park promoted the German concept of *Beruf* as an ideal spirit to adopt as he aimed to expand vocational training and to restrict the ‘arts and humanities’ focussed higher education. Park regarded that the German concept of vocation based on *Beruf* in Protestant ethic was the foundation of ‘The Miracle on the Rhein’, West German Postwar economic growth:

In Germany an occupation is called *Beruf*. This means a calling from God or a vocation. The religious reformations in modern Western Europe history taught people to find an individual vocation and contribute to the good of society; thereby serving God. Even today we Koreans think that a truly good life cannot be something mundane, that it should be something divorced from the world. But Germans believe that one can serve God best by being faithful to one’s mundane *Beruf*. In other words they think that worldly jobs, commerce and money, eating, are tasks conferred on individuals by God, that they are not a means to an end but life itself, life’s aim itself. Thus they feel loyal to their jobs and responsible for their duties. The West Germans, who achieved the ‘Miracle on the Rhein’ after the Second World War, have been diligent and hardworking, inspired by this healthy concept of occupation, This is poignant indication that our concept of vocation is weak (Park, C. H., 1970a, 80-81).

Park was strongly impressed by German vocational and technical education through first-hand experience during his visit to Germany in 1964 (Synott, 1995, 37). Park praised German vocational education when communicating his impressions of German companies. In his column published in the *Dong-a Ilbo*, a leading newspaper, after his visit to Germany, he stated that German vocational education was a real impetus for postwar economic growth. Park represented his will to orient educational policy towards the promotion of vocational training:

It may be safe to think that every German is a trained worker with one specific skill at least. This is the reason why German industry was successfully rehabilitated. I felt strongly that I have to regulate the direction of our education (Park, C. H., 1970c, 23).

Park embarked on gearing education towards technical and vocational education in priority. From his impression of the German vocational school, Park introduced a policy of promoting a vocational secondary school and technical university (Synott, 1995). For this purpose, Park asked West Germany for support. In response to Park's request, West Germany provided a significant contribution to establishing a series of vocational schools in South Korea. The German government provided financial and technical aid to establish two vocational secondary schools in the early 1960s which was followed by the establishment of The Korea Polytechnic Colleges, a first technical tertiary school in 1972 (ROK. Ministry of Education, 1998).

Park had proceeded with upgrading science and technology in education in more concrete ways since 1966. In 1966, the Korea Institute of Science and Technology (KIST) was established as the first state-led agency to focus on research and The Science and Technology Promotion Act and the Science Education Act were enacted in 1967 as legal frameworks (Chung, S.-c., 2011, 336-337).

At the outset, the KIST focused on attracting Korean scientists and engineers from abroad by providing preferential treatment. Along with the principle responsibility of developing new technology and leading industrial technologies, it played the role of a state agency in gathering information on technologies from overseas and distributing it to local institutions like universities and companies under state-control (ROK. Science and Technology Policy Institute, 2013, 32).

At a presidential annual national message in January, 1968, Park introduced 'the second economy' to denote the mentality that supports economic growth as an equivalent to Weber's spirit of capitalism. Park made a division between 'the first economy' and 'the second economy.' 'The first economy' meant a material concept of economic activity. In contrast to 'the first economy', 'the second economy' refers to the philosophical foundations of modernisation and economic growth, intangible aspects

like cooperation, aspiration for economic development, promotion of scientific life, and rationality of everyday life. Park defined 'the second economy' as a mental posture that was needed in addition to the corporeal and material economy if modernisation and economic construction were to be achieved. Park described 'the second economy' in his annual national message thus:

'The second economy' is not an academic term with any academic meaning. I coined the word. But, if it is not proper as a word, it is okay to change it with a better one. However, it means that we should make efforts in external and material aspects to develop the economy and still take a proper mental attitude to expedite economic development and the modernisation movement. Common ideas on the economy like so called export or construction refers to 'the first economy.' 'The second economy' means the philosophical foundation or basis for modernisation for our nation such as the mental aspect or attitude (Park, C. H., 15 January 1968).

Park offered explanations on his promotion of the spirit of the Protestant ethic and Puritanism as a spiritual foundation for modernisation in the rise of European modernisation. For Park, the West could surpass Far East Asian states because the rise of the Protestant ethic in the West had played a critical role. Hence, Park stated that Korea should absorb it:

The Western man, trying as always to discover the inner laws at work in nature as well as in human society, has seldom taken anything for granted. I believe that it was this spirit of science and pioneering that led to the foundation of Europe and the United States. Their efforts toward modernisation received added impetus from the Protestant Ethic arising from the Reformation. In the early United States, Puritans discovered God's blessing in hard work and believed in success as a temporal blessing. It was with these elements that they eventually succeeded in opening up the New World. They were the spirits that moved the West, which until the fourteenth century was way behind the East,

forward. Its rationalism is the strength of the Western philosophy that we should absorb (Park, C. H., 1979, 32-33).

One should note that Park's division of 'first economy and 'second economy' has strong affinities to relation between 'base' and 'superstructure' in Karl Marx's theory despite he did not mentioned Marx. Although Park's staffs officially promoted Weber but criticised Marxism, it is hard to deny strong resonance of Marx's economic determinism in Park's thoughts.

In December 1968, Park proclaimed The Charter of National Education to consolidate on his concept of 'the second economy' after going through a few rounds of drafting in collaboration with philosophers and professors. According to an official view of the Ministry of Education (MOE) of South Korea, the proclamation of the Charter was a product of the military government's push for economic growth through strong political measures. The government used education as a propaganda tool for their political purposes and to nurture human resources to be mobilised for economic development:

By the late 1960s, the push for economic growth by the military government was facing a strong opposition. Therefore, the concept of 'education with nationality' became conspicuous with the rise of 'the second economy.' The Charter played a role of epitomising Park's recognition in a form of a charter that argued establishment of the 'the second economy' is an urgent task of education for achieving modernisation (ROK. Ministry of Education, 1998, 77-78).

Since the proclamation of the charter, the realisation of the spirit of the National Charter of Education had been placed as its top priority in the 1970s (ROK. Ministry of Education, 1998, 335-356). The Ministry of Education (MOE) proceeded to take further measures ranging through various school levels. The supplementary textbooks on the National Charter of Education by the drafters for elementary school and secondary school were distributed to schools. In the textbook, the key three drafters of the Charter (Park Jong-hong, Ryu, Hyöng-Jin, and In-ki, Lee) asserted that the Charter of National

Education aimed to build up a mental basis equivalent to the role of Christianity in the rise of modern capitalism:

The accumulation of industrial capital based on Christianity had triggered the rise of modernisation in Western civilisation. However, we regret that Korea does not have a unified mental basis for supporting economic growth (ROK. Ministry of Education, 1968b, 14-15).

Every student was required to learn it by heart and recite it in official rituals. Furthermore, '*national ethic* 國民倫理' a compulsory subject in the secondary school which used a textbook published by government, was reinforced to instil Park's propaganda for anti-communism, and the promotion of technical priorities in education in nation-building. In '*national ethic*', Max Weber was directly referred to Park's promotion of the 'Miracle on the Rhein'. In addition, Weber was taught to prove the superiority of capitalism to communism. The thrust of Weber's thought in *national ethic* is as follows. The 'rational capitalism' is a single object for the newly emerging state. According to Weber, the Protestant ethic played a critical role in the development of rational capitalism. Such an ethic is the mental posture for development as an essential precondition which is not found in historical materialism and communism (ROK. Ministry of Education, 1968a, 150-151).

Furthermore, the *national ethic* espoused Park's promotion of vocational education in the Weberian sense, which claimed that Korea should learn the lessons of pride in technical occupations from Weber's two lectures on vocation. In Communism, all occupations were separated into two divisions, those that are working class and those that are bourgeois, which promoted the proletarian class revolution. In contrast, Weber's capitalism, each occupation has a specific function in modern society (ROK. Ministry of Education, 1969, 191).

The primary goal of the educational plan was officially changed to provide more skilled manpower for the economy from the concentration on primary education through emphasising vocational training in the 1970s. One month earlier to the official proclamation of the Charter, in November 1968, the government had enacted the

Regulation on the Committee for Long Term Comprehensive Educational Planning to integrate educational policy into economic planning (ROK. Ministry of Education, 1988).

In 1973, the National Technical Certification Law introduced a system based on the German *Meisters*. The enactment aimed to reverse the strong and long held tendency to disdain craftsmanship or tradesmanship with the goal to promote technicians into the higher ranks of business, possibly up to the position of CEO of a company, with the government’s technical certifications (Kim, C.-y., 2013, xxii; 441).

Along with a variety of measures for the promotion of vocational training, the government created quotas for university students except in science and technology with an ultimate aim to maintain 70 percent of the student share on a vocational track and 30 percent on the academic track. This policy was partially successful.

Table VI-3 Academic and vocational share of secondary school enrolments, 1955-1988 (percent)

	1955	1960	1965	1970	1975	1980	1985	1988
Academic	54	62	60	53	58	55	58	63
Vocational	46	38	40	47	42	45	42	37
Difference	8	24	20	6	16	10	16	26

(ROK. Ministry of Education, *Statistical yearbook of education*, each year).

As Table VI-3 shows, the Park’s promotion of vocational education did not increase markedly the share of vocational education in the 1970s. However, during the same periods, the increasing trend of the academic track was slowed. The moderate increase of the vocational track contributed to meeting the increasing demand for a skilled workforce and technical engineers in heavy and chemical industry sectors at the time (ROK. Korea Research Institute for Vocational Education & Training, 2003).

Table VI-4 Trend of average salary from 1975 to 1980

Unit: percent						
Year	Technical	Administrative management	Office	Sales	Service	Labour
1971	233.4	359.2	204.4	117.8	89.8	100

1972	230.8	381.5	183.1	133.0	90.7	100
1973	252.7	406.0	205.7	151.3	99.6	100
1974	211.2	353.6	197.4	130.0	92.0	100
1975	265.4	457.8	214.5	123.4	103.5	100
1976	291.6	473.8	222.3	112.2	102.6	100
1977	271.2	438.6	205.8	130.7	99.8	100
1978	269.6	431.2	181.3	125.4	98.5	100
1979	256.1	423.5	176.0	107.3	97.3	100
1980	230.4	395.4	161.8	89.3	100.4	100

(ROK. Ministry of Labour, *Annual statistic data*, each year).

Table VI-5 Wage and salary differentials by level of education

Unit: Index

Year	Average	Elementary	Lower- secondary	Upper- secondary	Tertiary	
					(Two-year)	(Four-year)
1971	155	100	120	179		313
1972	148	100	122	181		329
1973	151	100	117	180		336
1974	151	100	120	172		340
1975	159	100	118	191	196	409
1976	163	100	118	185	193	425
1977	153		118	176	259	405
1978	143		100	160	239	370
1979	141		100	152	224	350

(ROK. Ministry of Labour, *Social indicators in Korea*, each year)

However, the enrolment for vocational schools to universities ratio never became greater than 50%, hence the government never reached the target of a 70 percent share. Table VI-4 and VI-5 explains the partial failure of Park's promotion of vocational education. The average salaries of technical, manufacturing and commercial sectors had been consistently far lower than for administrative positions that were mainly held by graduates from the departments of 'arts and humanities' and social

sciences. In spite of the strict restrictions on the expansion of university enrolment excluding the science and technology track, the government failed to suppress the aspiration of students in taking administrative jobs in the face of the large wage gap. While Park's regime was creating strict quotas on university students, the failure of Park's government to change the strong social bent for academic study over vocational and technical study had aggravated competition for college entrance.

In addition, Park's deployment of Weber's emphasis on economic mobilisation had produced ironic results. Although Park and his allies had criticised the emphasis of Marxist historical materialism on economic determination, they attempted to instil Weber's emphasis on the mental foundation to students with a view of mobilising education towards economic growth. Their attempts subjugated education to the economy and ultimately bolstered the influence of economic determination. Therefore, this subjugation of education to state economic policy had attenuated the very autonomy of education. In particular, under Park's policy, universities should account for the final allocation of human capital to the business sectors. Considering the heavy reliance on tuition fees from students, the university should play a role of agent in the job markets between students and business. Hence, research and education became prone to being tailored to the demands of big business.

Park's intensive allocation of skilled human talent to specific sectors had created some problems. The *chaebols* in the HCI had benefited from a free-rider effect from preferential treatment provided by the government in recruiting from a skilled workforce without any remarkable contribution to the educational sectors. While fiscal expenditure on education remained limited, the HCIP sector's privileged monopoly on talented human capital gave it a comparative advantage for Korean big business. In contrast, the existing senior labour force without a technical foundation became marginal in industrial relations.

Park's re-orientation of education for supplying technical human capital had negative effects on the bargaining power of the labour class. The heavy industrialisation, in nature, requires capital and technology-intensive investments. As Park focused on nurturing the new labour forces with technical skills, the existing senior labour force who were devoid of technical abilities had become marginal in the 1970s along with the state's hastening push for heavy industrialisation.

4. Invention of the security crisis of South Korea: parallels to Fichte's Germany

In the 1970s, Park and his coteries added Fichte's discourse into the governmental interpretation of the Charter of National Education to consolidate anti-Communism and justify the transition to heavy industrialisation. The thrust of this deployment of Fichte was twofold. First, South Korea was in the face of a serious security threat due to the reduction of US military troops, with the consequence anti-Communism thought and military education should be vigorously fortified. Second, Park wished to identify himself in his pursuit of the HCIP with Erhard, the German Chancellor who helped beat back American efforts to de-industrialise Germany economy in the 1940s.

Park's government strengthened anti-communist activism and military training in education through a revision of the curriculum. Assigned hours for teaching anti-communism had consistently increased in all primary and secondary schools in the 1970s (See Table VI-6). The government also newly introduced 'Student Military Training (教練)' into the compulsory curriculum of secondary and tertiary education in 1969. The 'School Military Training' course consisted of academic education in anti-Communism, the military history of Korea and also basic military knowledge and physical training which involved bayonet practice with M1 rifles, close-order drills, military first aid skills, and mock battles (Chung, J.-s., 1986, 162-166).

Table VI-6 Change of assigned hours of classes for the students of elementary and secondary schools

Unit: percent

Content of curriculum	N*			M*			H*	
	'63	'73	'82	'63	'73	'82	'73	'82
Anti-communism/Moral	5	9	9	3	6	6	3	4
Humanities	26	29	20	25	29	28	30	39
Social science	11	9	13	9	13	11	16	7
Math & natural science	26	26	28	19	20	21	19	22
Art	26	26	25	22	17	16	20	14
Extracurricular activities	6	4	4	8	6	5	7	3
Vocational training				14	9	14	5	11

N * National School (elementary)
M * Middle School (lower-secondary)
H* High School (upper-secondary)
(Chung, J.-s., 1986, 175).

Furthermore, in 1975, Park re-introduced the Korean National Student Defence Corps which had been abolished after the student uprisings in 1960. With the pretext being a response to the end of the Vietnam War, Park enacted Presidential Decree 7645 on the Establishment of the KNSDC (7 June 1975) and enforcement regulation (18 June 1975) (Im, C.-m., 2012, 141-169; Seth, 2012, 17).

To justify the intensification of military education, Park and his intellectual henchmen turned to pseudo-Fichte's writings of Japanese origin. Throughout the 1970s, Park and his coteries began directly quoting Fichte in their speeches, writings and school textbooks. Their references to Fichte were rhetorical detours with distortions and fabrications especially when representing their national discourse on South Korea under a potential North Korean invasion in equivalence to Germany under the French invasion. These interpretations of the Fichte's *Addresses to the German Nation* on Napoleon's invasion were inserted into a primary school textbook published by the Ministry of Education in 1970 as:

In Germany, the memorial of Napoleon who invaded Prussia remains without damage. When foreigners inquired on the reason, German people answered like this. 'We left it in order to recall mistreatment and pains of our ancestors at that time' (ROK. Ministry of Education, 1970, 22-23).

In a translation of Fichte's *Addresses to the German Nation*, the Korean translator uses the term 'the higher self (*großen ich*, 大我)' to define the new self which referred to the German text 'only as a universal and national self and in education of the nation *niemals aber als allgemeines und nationales Selbst dagewesenen Selbts, und in der Erziehung der Nation*' (Fichte, 0000, 274). The 'smaller self (*kleinen ich* 小我)' denotes an individual (Kurtz, 2003, 229).

In an annual press conference in 1970, Park represented his view on state organism by clarifying the relationship between individual and state as an expansion of 'I' to a state to justify the sacrifice of the individual for the state purpose. Park used the terms used in translated writings on Fichte as:

We call 'I, the individual' as '小我 the smaller self'. If we expand the 'I', it becomes a state which we generally call it as '大我 the higher self'. When we call the state, we do not say 'my country' but 'our country.' The concept of 'our' in 'our country' has 'I' and 'you'. Our country means that it consists of 'I' and 'you' in combination and expansion of 'I' to a state. Therefore, the success of a state becomes my success; success of our people becomes my success; personal sacrifice and service for the sake of our state becomes a sacrifice for myself and our descendant. Our loyalty to the state is the virtue; the most valuable worth. (Park, C. H., 9 January, 1970).

In 1971, Park's government and Samsung, a Korean *chaebol* collaborated to disseminate Fichte's *Addresses to the German Nation* to the public. Samsung provided funding to complete the translation of Fichte's *Addresses to the German Nation* and donated the pocket-sized edition of the translated book to public libraries, schools, and to the military (Fichte, 1971).

Professor Ryu, Hyöng-Jin a drafter of the Charter of National Education provided a pseudo-interpretation of Fichte to justify the introduction of military training in university. He argued that national education had something in common with militarism. Recalling the great historical figures of three nations that had been invaded by foreign military forces, they being Prussia, Denmark, and Korea, Professor Ryu argued in a seminar that:

Like Fichte's patriotisms in Prussia trampled by Napoleon, Grundtvig (1783-1872) [Danish nationalistic philosopher] in Denmark or spirit of self-reliant independence by Admiral Yi, Sun Shin (1545-1589) [Korean Admiral who defeated Japanese navy], the military spirit is the national spirit as the driving

force of national development and there is a thread of connections between the military education in university and the military spirit (Ryu, H.-j., cited in Donga-Ilbo, 12 5, February 1971).

In 1972, Park broached Fichte's Germany under Napoleon's invasion. In his anger at the political challenges to his regime by university students, he articulated that higher education should aim to nurture bureaucrats with strong mental power and nationalism:

Fichte, who stressed the role of education was an impetus for saving the nation and encouraged the German people to make mental efforts, during the early period of the Napoleonic Wars in the nineteenth century, pointed out a problems of the university existing inside the university. Fichte rebuked idle students for posing a threat to the freedom of university without studying (Park, C. H., 7 March 1972).

After referring to Fichte, Park associated the purpose of the Charter of National Education with his aim of establishing a self-reliant state. In relation to his declaration of the *Yushin* Constitution in October and proclamation of the HCIP in 1973, a speech confirms Park's view on education had begun to veer towards underpinning his pursuit of the self-reliant economy:

In Charter of National Education, there is a phrase to 'establish a self-reliant posture within and contribute to the common prosperity of mankind' which means that primary goal of our education is that it nurtures citizens with the proper posture and properties in the self-reliant and independent nation... At first, we should produce qualified nationals with talents and ability to maintain our independence of our self-reliant and independent nation. It is our final goal to focus on bringing up human talent for our nation and society as the first priority (Park, C.H., 7 March 1972).

In 1973, Professor, Ryu, Hyōng-jin deployed Fichte to criticise the postwar education of South Korea in the 1950s which had been guided by US policy makers. Ryu used John Dewey to avoid the impression of a direct disparaging attack against the US. In a commentary for the Charter, Ryu argued that Dewey's philosophy sprang from a peculiar history of the US which had not experienced the hardships and the wars as in Asia and Europe. Therefore, Pragmatism represented the optimism of the American people which does not suit Korea. Ryu articulated that the purpose of education is to nurture talents who are useful to society or national development:

The aim of national education is an application of individual education to a specific nation which can be a peculiar purpose in line with peculiar circumstances. Therefore, we should harmonise them. Schleiermacher's argument that 'Education starts from position that we educate individual for the sake of a nation' well represented the thrust of national education... We must not forget that the Western education in nineteenth century had been emphasising the national spirit and love for fatherland under the influence of nationalist thinkers of education like Fichte. Every phrase that Fichte uttered his addresses to represent his nationalistic thought on education... The individual must be educated not to save his soul but to save his country (Ryu, H.-j., 1973, 36).

According to a Korean governmental document published in reference to the Charter of National Education, Park's quotation of Fichte was commented in reference to the 'Miracle on the Rhein' as follows:

Fichte's *Addresses to the German Nation* gave an impact on German education on reforming the German people fundamentally to produce an ethical new era. Germany won a big victory in the Franco-Prussian War 60 years after the invasion of Napoleon and arose to become a global power. At that time General Moltke stated that the glory of the victory should not be given to soldiers but teachers who answered to national education. Furthermore, we should take the example of the German people who had the national consciousness and

patriotism to achieve the postwar ‘Miracle on the Rhein’ in West Germany (ROK. Korean Educational Developmental Institute, 1974, 55-56).

In 1977, in the middle of the *Yushin* era, Park again asserted that emphasis on national education had been a decisive factor in Prussia’s victory over France in his citation of Prussian history in The New Year press conference:

In 1809 Germany, Prussia at that time had capitulated in the war with France. It was around the time that Fichte, a famous professor, delivered speeches in *Addresses to the German* nation. The Franco-Prussian War ended with a great victory for Germany 60 years later. After the end of the war, General Moltke stated that ‘Our victory was not achieved by the soldiers but by the services of primary school teachers’. Strength of education is such a great thing. However, education is not a whole. True education is only established through forming a trinity of family, society, and school (Park, C. H., 19 January 1977).

Park used the narrative of *Fichte’s Address* to bolster a form of ‘trauma learning’ to justify militarism through an epistemological manipulation of the security threat in education. By doing so he aimed to establish anti-communism and militarism as key elements of national identity with the final motivation being justification for his wish for a transition to heavy industrialisation. Currently, Far East Asian conservatives still commonly promote Fichte’s context for their political purposes. Notably, conservative politicians and scholars in Japan and South Korea are still often usurping the Fichte context to escalate conflicts with neighbouring states and expanding military budgets.

However, Park’s deployment of Fichte’s discourse produced paradoxical implications. Firstly, in spite of the emphasis on national security by Park, the share of the military budget in South Korea declined drastically throughout Park’s regime in contrast to North Korea’s ‘Seongun (先軍政治, military first)’ policy which prioritised the military in state affairs and allocation of resources (Overholt, 2008, 108). Moreover, the Sino-USA rapprochement in the 1970s had crushed the possibility for a potential

military conflict in Far East Asia. Park's espousal of the security threat to Korea in Fichte's sense was clearly an example of discursive hyperbole imposed by the state to rationalise ulterior purposes, namely heavy industrialisation.

Finally, Park was reluctant to increase the number of university students as these were his potential political enemies in the 1960s. But, he had to increase the number of students for his pursuit of the HCIP in the 1970s. He attempted to control the increase in enrolment of students in the track of non-science and technology. However, Park's policies to strengthen military education in universities, by way of compulsory military training programs caused fierce opposition by university students for many years. (Kleiner, 2001, 151).

5. Concluding remarks

According to the Programme for International Students Assessment by the OECD (OECD, 2012), South Korea consistently ranks in tests of student ability in math and science alongside a leading group which consists of Shanghai, Singapore, Hong Kong, Taiwan, South Korea, Macau and Japan. East Asian countries outperform the rest of the world in math and science. In contrast, South Korean students belong to the lowest group in Student Interest in Science and Technology Studies. In the face of these paradoxical results of top performances with little to no interest in math and science, this research explains the paradox. Park's educational reform put emphasis on technical upgrading and exaggerating insecurity. Park's proclamation of the Charter of National Education was an interim measure for initiating the HCIP under dictatorship. First, through the Charter of National Education, Park aimed to overcome the questions of Max Weber on societies trapped in the Confucian mind-set and backwardness in terms of modernisation and industrialisation. For this purpose, Park sought directly to instil Max Weber's ideas to students to overcome the legacies of Confucianism. In South Korea, Weber's influence had contributed to eliminating the disdain of Confucianism thought on commercial activities and contributed to an increase in enrolment of students on the science and technology tracks, which, on an institutional level, aided big business in the HCI sector.

Park's promotion of science and technology was an attempt to apply the logic of Gerschenkron on late industrialisation to education. Park strengthened state control in

the mobilisation of education and focused on the allocation of the nurtured skilled workforces to targeted industrial sectors. This policy had contributed to the industrialisation of South Korea in the 1970s and 1980s. However, the policy failed to mitigate the gap between administrative positions and that of skilled technical workers, which led to the failure of cooling down education zeal.

More significantly, Park's educational policy had polarised labour class depending on their technological skill. The technical labour forces were endowed with better opportunities to be employed by big business and to benefit from home-owning policy in contrast to less-talented labour class mainly in the light industry. This gap resulting from technical upgrade in education had contributed to weakening solidarity of labour class and formation of conservative labour class in possession of property, their houses. Hence, Park's education ultimately dented educational autonomy subjugating it to the demand of business. Furthermore, as to be discussed in Chapter VIII, the possession of housing had more substantial contribution to increasing wealth than the rise of income. The ramifications of technical boots in education has ultimately had strong relevance to distorted distribution of national wealth in context of Kaldorian dilemmas.

As to Fichte's impact, Park aimed to instil Fichte's narrative to students to justify the *Yushin* dictatorship on the pretext of overcoming all exigencies. Moreover, the recognition of the state crisis by foreign invasion in Fichte's context had become established as a key political element for conservatism in South Korea. This epistemological manipulation of the external impact context could be utilised to stress nationalistic sentiment and to put defence expenditure in priority over the allocation of funds to welfare. It is difficult to estimate how Park's exaggeration of the threat to security was effective on society in South Korea. However, most of the university students and intellectuals did not accept Park's arguments, which produced his strongest political enemies in the 1970s.

VII. Presidential emergency powers in making economic order in the *Yushin* era

In the previous chapter, this research explored how Park turned to discourses of Max Weber and Fichte in re-orienting education policy in the framework of ‘the expansion of education and training infrastructure’ in the 1960s. Subsequently, Park dwelt on ‘the reallocation of resources in ways that improve equality and access to power’ by establishing authoritarian institution.

Since his overthrow of parliamentary democracy by his military coup of 1961, Park continued to claim that liberal democracy was not proper a political system for South Korea in its confrontation with North Korea. But Park’s hostility to liberalism remained latent in the 1960s.

Since the late 1960s, Park witnessed the waning democratic support of his regime and reduction of the US military commitment due to the changing Sino-US relation, he declared that the South Korea was under extreme-security threat. Park exaggerated his country’s systemic vulnerability to justify his incorporation of authoritarianism and his alliance with big business subsequent to the technical priority in education in the late 1960s.

In October, 1972, President Park declared emergency measures to suspend the existing constitution and incorporate the *Yushin* (restoration) Constitution. In his declaration of emergency measures, Park claimed that ‘the extensive reform is necessary to deal with international political transformations; North-South Korean relations in drastic transition; and internal political situations. Therefore, it was inevitable to take an emergency measure that suspends the effects of the existing Constitution’ (Park, C. H., 17 October 1972).

Park argued that the reduction of the US military commitment into Asia and hostile provocations by the North were reasons enough for a ‘state emergency’. Park and his legal loyalists justified another overthrow of the Constitution in 1972 by referring to Carl Schmitt’s theory on dictatorships. Park is known to have decided to incorporate dictatorship unilaterally. But Park turned to Carl Schmitt theory to advocate his further break with the existing Constitution. Park did not have intellectual

background to understand Carl Schmitt's theory. However, he selected some legal scholars who promoted Schmitt's theory to support dictatorship in special reference to Presidential emergency measures. In the reception of Schmitt by Park's staff, much of his theory was subject to distortion and fabrication. But the thrust of Schmitt's ideas on his support of Presidential dictatorship in rejection of liberalism was pivotal throughout Park's dictatorship.

Schmitt claimed that the presidential dictatorship was inevitable to protect the constitution in the case of a provisional state emergency (Schmitt, 1928). Adopting Schmitt's theory, Park and his legal aides set the term for his interim dictatorship for crisis management until the unification of Korea. Subsequently, in 1973, Park proclaimed that he would be pursuing the Heavy and Chemical Industry Policy as a way of breaking through the crisis. The HCIP's aim was for the self-reliance of South Korea through the upgrading of the Korean economy and the build-up of a defence industry. To perform the HCIP, Park restructured the state apparatus so that it resembled a wartime political economy and to strengthen the executive power of the president (Kim, H.-a., 2004).

Here it is necessary to go back to the year of 1961 to recollect Park's ascendancy to political power. When Park could obtain political power under the auspices of the Kennedy Administration in 1961, the US emphasised the 'creation of light and labour-intensive industry' (Woo, 1991, 77). However, Park was not satisfied with the economic achievement of South Korea based on labour-intensive light industry. Park was obsessed with a 'take-off' to heavy industry. US advisors prioritised light industry and economic stabilisation and they saw that Park's aspirations of heavy industry seemed 'expansionist-minded' (Macdonald, 1990, 294).

In spite of the sceptical American view, Park had been clandestinely preparing for the HCIP. In order to establish an economic take-off based on heavy industry, Park strongly aspired for more political power. In addition, Park became anxious on the transformation of the global political landscape in Far East Asia. In particular, the normalisation of China-US relations had begun to dismantle the anti-communist sentiment in South Korea which was used for justifying the military regime.

The *Yushin* Constitution is mainly characterised by the existence of a National Conference for Reunification (NCR), and strengthened presidential emergency powers.

The NCR was a new constitutional body chaired by President Park. The Conference had the function to elect the president and one third of the lawmakers in the National Assembly, and to confirm amendments to the constitution under presidential control. Therefore, Park could permanently stay in power by indirect election as he maintained control of the composition of the National Conference (Park, I.-k., 1972; Kleiner, 2001).

Furthermore, the President had extensive presidential prerogatives over society by adopting Carl Schmitt's concept of presidential emergency powers into the *Yushin* Constitution. According to Article 53, 'In case of a threat to national security or public safety, the President has the right to take emergency measures' in the whole range of state affairs' (Article 53). Before the *Yushin* constitution, the existing constitution had allowed presidential emergent measures but it was limited by constitutional constraints and subordinate to the legal cooperation of the National Assembly. Under the *Yushin* Constitution, the presidential emergency powers had supremacy above the legislature and the judiciary. Thus, it could suspend the freedoms and rights of the people beyond the pale (Park, I.-k., 1972; Oh, C.-h., 1991).

This chapter deals with how Park deployed Presidential Emergency Measures to broaden the elite coalition through restructuring financial institutions and providing tax reductions as 'side payments' to the popular sectors in compensation for their lack of political power. The outline of this chapter is organised. First, I deal with Carl Schmitt's theory on constitution and adoption of this theory by Park and his coteries when consolidating a dictatorship based on presidential emergency powers, Then, I show how Park usurped the presidential measures to mobilise financial resources for the fostering of a state-business nexus along with a drastic tax cut to alleviate public militancy. Afterwards, I analyse the ramification of Park's measures towards financial and fiscal structures. Finally, I show that Park's dictatorship collapsed because he failed to tackle social and economic crises which resulted from his seizing of presidential emergency powers.

1. Reception of Carl Schmitt's theory by Park and his coteries

Schmitt's theory of the constitution is rooted in his first-hand witness of the historical process of the collapse of the Weimar Republic. Schmitt saw a series of incidents in Weimar Germany that drove widespread disturbances to the brink of civil war. In 1918,

the Weimar Republic was born from the proclamation of a parliamentary republic while Germany was almost under civil war conditions. Borne from the turmoil, the Weimar Republic failed to survive in a period of economic instability and under the harsh terms of the Versailles peace treaty.

Against this backdrop, Schmitt evoked the historical example of the extraordinary magistrate in the Roman Republic commissioned to restore political stability by exercising a provisional dictatorship. From his study on dictatorship, Schmitt anticipated the role of dictatorship in rescuing the Weimar Republic from the threat of Communism in a rejection of legal norms of democracy (Schmitt, 1928, XIII-XIV).

Schmitt coined the term ‘sovereign dictatorship’ in his *Die Diktatur* (1921) to denote the provisional legislative authority in the name of the sovereignty of the people that abolished the existing constitution and enacted a new one. According to Schmitt, in the case of an emergency, a ‘sovereign dictatorship’ is inevitable to protect the Constitution. Prior to the collapse of the Weimar Republic Schmitt had debates with Hans Kelsen as to who should be the guardian of the constitution. Schmitt advocated the authority of the President as defender of the Constitution while Kelsen sided with Parliament and the Constitutional Court (Schmitt, 1931).

For Schmitt, the President was able to play the role of a ‘neutral, mediating, and conserving’ force when protecting the state in cases of emergency (Schwab, 1989, 81). Schmitt pointed to Article 48 of the Weimar Constitution to back up his advocacy of the president as protector of the constitution. Schmitt saw that it was impossible to overcome the crises of the Weimar government without resorting to Article 48 of the Weimar Constitution. For Schmitt, Article 48 had the nature of a commissarial dictatorship (Schmitt, 1928, 213-259) since it gave the President the power to exercise ‘emergency measures’ against any threat to public safety:

If the public safety and order of the German Reich is seriously disturbed or endangered, the President may take the measures necessary for the restoration public safety and order, and may intervene if necessary with the help of armed forces. To this end he may temporarily revoke in whole or in part the

fundamental rights considered (Article 48, translated in Balakrishnan, 1998, 71-72).

Schmitt's 'sovereign dictatorship' in a 'state of emergency' as executed under presidential emergency measures appealed to Park's *Kronjurists* in drafting the *Yushin* Constitution. Park's legal cohorts selectively used Schmitt's theory to support Park's regime in the 1960s and 1970s.

In constitutional studies in South Korea, legal positivism was the most dominant theory. Under the pre-eminence of legal positivism, Park's legal intellectuals could not justify Park's overthrow of the existing democratic constitution and incorporation of presidential dictatorship. As Schmitt advocated presidential dictatorship, Schmitt rose to prominence in the standard constitutional textbook of the 1970s (Park, I.-k., 1972; Karl, B.-k., 1975).

Park discovered Carl Schmitt's theory soon after his military coup of 16 May 1961 through his contact with Professor Han, Tae-yŏn (1916-2010) at Seoul National University. Han belonged to the first generation of legal scholars who introduced Carl Schmitt into Korea in the 1950s. However, Han did not have firm knowledge of Carl Schmitt. He learned of Carl Schmitt from secondary writings on him by Japanese scholars while he studied law in Japan. During the colonial period, most Japanese constitutional scholars were under the dominating influence of pure legal theory by Hans Kelsen. Prominently, Kuroda, a professor at Kyoto University, promoted Carl Schmitt. Han confessed that he mainly relied on secondary writings by Kuroda to learn the theories of Carl Schmitt (Han, T.-y., 2002, 21-22).

On 19 May 1961 the military junta government launched the Supreme Council for National Reconstruction (SCNR). Afterwards the military leaders contacted Professor Han to ask him to draft a new constitution. In this initial contact, the military junta had no inkling of Carl Schmitt, Professor Han's main academic interest. To this request, Han responded in the negative by explaining that the creation of a constitution should be done by parliament not a single professor. Rather, Han offered to write a law that allowed for extraordinary measures by referring to the history of the collapse of the Weimar Constitution. Professor Han provided an account to his involvement in drafting the emergency Enactment the military leaders:

When the Weimar Constitution was being overthrown, Hitler used the ‘Enabling Act of 1933. That Enabling Act had become a Nazi Constitution that aimed to eliminate the rights of people and state. I saw it as the first case that the enactment had superseded the existing Constitution. Generally, the emergency Enactment amounts to a revolutionary constitution, I have consulted it (Han, T.-y., 1993, 2002, 35-36).

The military junta accepted Han’s offer. After finishing a draft of Enactment, Han met Park for the first time. Park accepted Han’s draft without any modifications as ‘The Law Regarding Extraordinary Measures for National Reconstruction’ that replaced the existing Korean Constitution (Han, T.-y., 2002, 35; Kim, S.-j., 1971, 103-105).

In the draft, Professor Han justified the military coup under the pretext of an extraordinary measure to ‘overcome a national crisis’ in Korea. Han defined the national crisis as being a combination of the communist threat and the vulnerability of South Korea to corruption, injustice, and poverty. The Article I of the law stated:

‘The Supreme Council for National Reconstruction shall be established as the extraordinary measure intended for the reconstruction of the Republic of Korea as a genuine democratic republic by safeguarding the Republic of Korea against communist aggression and by overcoming the national crisis which resulted from corruption, injustice, and poverty (ROK. the Law Regarding Extraordinary Measure for National Reconstruction, 6 June 1961).

It was the first time that Carl Schmidt’s theories influenced the Korean legal system officially. Throughout these events, Park became aware of Schmitt’s advocacy of presidential dictatorship. Professor Han continued to collaborate with Park in drafting the Constitutions of 1963 and 1972 (Han, T.-y., 2003). Han stated that he was influenced by Carl Schmitt’s militancy towards the parliamentary system and Communism in the course of drafting laws for Park (Han, T.-y., 2003). Park did not directly quote Carl Schmitt. However, Park consistently employed legal experts on Carl Schmitt to justify his regime.

According to Professor Han, he directly consulted Ernst Forsthoff (1902-1974) as to a part of the *Yushin* Constitution on ‘sovereignty’. Forsthoff was the most important student of Carl Schmitt with a label of ‘Schmitt’s model pupil’ who attempted to legitimise the Nazi regime (Meinel , 2007, 787). To celebrate the 70th birthday, Forsthoff published an article ‘*Der Staatsrechtler im Bürgerkrieg - Carl Schmitt zum 70. Geburtstag*’ to *Christ und Welt* on 17 July 1958. He defended activities of Carl Schmitt for supporting Nazi as being emergent measures to overcome disorder of the Weimar Republic (Mehring, 2009, 518-519). The thrust of Forsthoff’s defense for Carl Schmitt was reiterated by Professor Han to underpin the rise of dictatorship in South Korea. Forsthoff and Han discussed legitimacy issues on the amendment of Constitution through a national referendum in particular reference to that of ascendancy of Charles de Gaulle (Han, T.-y., 2002, 50).

In justification of the *Yushin* Constitution Han mainly focused on the political interpretation of the Korean War through the filter of Carl Schmitt to conceptualise the crisis of South Korea. His emphasis on the Korean War stands in line with his draft of the ‘Law Regarding Extraordinary Measure’ in 1961. Han argued the *Yushin* Constitution was a ‘sociological’ constitution to stave off the proletariat’s revolutionary war against the absolute enemy (Han, T.-y., 2003).

Han used the term ‘sociological’ to denote the political problem in countering the threat of Communism. Han claimed that the threat of North Korea during the Korean War could be identified with Schmitt’s concept of the ‘proletarian revolutionary war against the absolute enemy’. For Han, the ‘absolute enemy’ of North Korea denoted the capitalism of the bourgeois class in South Korea. Han stated that the dominant views of legal positivism could not tackle the daunting challenges posed by the proletarian revolution. Han saw that thoughts of Carl Schmitt could overcome the legal threat from Communism. He stressed that Schmitt’s theory was based on ‘sociological’ positivism in contrast to the legal positivism of Hans Kelsen. Han argued that the Constitution of South Korea should be politically related to fighting against Communism based on Schmitt’s political concept of the enemy:

The Constitution of the Republic of Korea was an ideological constitution that defined Communism as an enemy since its establishment in 1948. The

constitution established liberal democracy as a supreme value. In reality, democracy and Communism were disparate political systems that could never compromise with each other. Therefore, the history of South Korea was the history of the struggle against Communism. In such a case, the political concept has meant the ‘distinction between friend and enemy’ by Carl Schmitt (Han, T.-y., 2003, 243-250).

Han referred to Schmitt’s thoughts on the turmoil in Germany in the period between the immediate aftermath of World War I and the collapse of the Weimar Republic to define the Korean War as a ‘real war’ between the proletariat and its absolute enemy. Han claimed that in an intense conflict between a people that becomes so aggravated to the extent that there exists no solution but violence, is when a civil war takes places. In civil war, a political concept becomes the distinction between friend and enemy:

Furthermore, the war becomes, so called, the continuation of politics turning to other instruments in Clausewitz’s theory... For Lenin, the ‘revolutionary war’ by the proletariat was a ‘real war (*Wahrer Krieg*)’ against the ‘absolute enemy (*absoluten Feindschaft*)’. In reality, the Korean War was the case when the absolute political enemy was applied to realities... Until the unification of Korean, the ideological conflict in Korea will never die. Therefore, there exists a reason why the political concept in our society sees the distinction between friend and enemy as a truth (Han, T.-y., 2003, 251-260).

Finally, Han inserted his subjective arguments on the theory of Lorenz von Stein into the background of the *Yushin* Constitution. He stated that the Korean constitution contained the spirit of Lorenz von Stein’s social state theory. Han stated that ‘in the case of Germany, the concept of the social state originates from social reforms by Lorenz von Stein. According to Han, the ideals of Stein on social reform aimed to prevent class antagonism between the capitalists and the proletariat and to create opportunities that enabled the proletariat to possess properties’ (Han, T.-y., 2003, 156-257). According to

Han, the Constitution of Korea of 1948 had adopted the concept of the social state along with liberal democracy as the fundamental order of the state:

The concept of the German ‘material legal state (*materieller Rechtsstaat*)’ starts from Lorenz von Stein’s principle of social reform which means the social democratic concept theorised by Hermann Heller. Our Constitution [From the first constitution of 1948 onwards] has the concept of social state in the context of democratic republic. As a matter of fact, our constitution sets liberal democracy as the fundamental order but it adopts the social state in the context of Western Europe (Han, T.-y., 2003, 258-259).

However, Han’s arguments were erratic. The first Korean Constitution of 1948 was not written under the influence of Carl Schmitt. As described above, Schmitt was first introduced in 1950. As to Lorenz von Stein’s influence on the Korean constitution, Han did not provide any references to support his arguments. Lorenz von Stein had a seminal influence on Japan’s Meiji Constitution but not on the Constitution of South Korea (Akira, 1980; Ando, 2000).

As Han studied constitutional law in Japan during the colonial era, he was well aware of Stein’s influence on Japan. It seems he inserted the von Stein reference into the Korean Constitution for the political purpose of anti-Communism. In spite of the faults to Han’s academic rigidity, Han’s argument became an influential view as a drafter of the Constitution in the 1970s.

Park then deployed Professor Karl, Bong-kun who had more specialised knowledge on Schmitt. Karl studied law and obtained a PhD in the subject from Bonn University. He played a more pivotal role in theorising the *Yushin* Constitution. Karl focused on Carl Schmitt’s view on the crisis of the parliamentary system in the Weimar Republic (Karl, B.-k., 1975).

Karl articulated that Carl Schmitt’s constitutional theory was ‘a science of state-law as empirical science (*die Staatsrechtslehre als Wirklichkeitswissenschaft*)’ in the process of the introduction of his theory to Korea. Therefore, it was inevitable to compare the circumstance of Korea with that of the Weimar Republic. Karl also argued that the constitution should be empirical and sociological in its definition:

The meaning of a constitution is not a simple system of constitutional norm. It means a comprehensive structure that consists of a spiritual movement, social conflicts, and the political principle of order. The constitutional changes according to objective facts like historical, social, and economic circumstances (Karl, B.-k., 1987, 26).

In Karl's view, 'Korea had adopted a western-style Constitution from the outset under the influence of the US military government (Karl, B.-k., 1988, 503). Karl contrasted the social conditions of the West with Korea's. For Karl, the Western constitutions are based on elements which include (1) distinctions between state and society, (2) industrialised economy; (3) a sentiment that stresses individual responsibility, (4) free competition, (5) rational life style, and (6) generous Christian ethic (Karl, B.-k., 1988, 514).

In contrast, Karl juxtaposed properties of Korean society as follows: (1) feudal and agrarian economic structure (2) poverty (3) lack of a civil class with education and property (4) premature political culture and (5) lack of rationality. Therefore, the Korean constitution remains in the stage of 'nominal constitution' not a genuine normal constitution in the course of trial and errors. Hence, the Korean Constitution is destined to stay in 'constant crisis' (Karl, B.-k., 1988, 28).

Karl articulated that the 'constant constitutional crisis' of South Korea had created the reasons for adopting Schmitt's theory. In his allusion of parallels between the Weimar Republic and South Korea, Karl represented the reason for adopting Schmitt's theory in the *Yushin* Constitution in German as:

Even if Seoul is not Weimar, the situation in conflict is similar so it enabled the influence of Carl Schmitt on the Korean Constitution *Wenn auch Seoul nicht Weimar ist, so sind die Konfliktlagen doch ähnlich: sie machen einen Einfluß Carl Schmitts auch auf die koreanische Verfassung möglich* (Karl, B.-k., 1988, 505).

Karl summarised the influence of Schmitt's constitutional theory on Korea as follows. (1) Constitutional demands for the 'strong and stable' has produced an article on the punishment of the violation of democratic order and 'National Security Law' for anti-Communism, and (2) the authority of the president on state-emergency and extraordinary crises. Karl stressed, in particular, the role of the president as 'protector of the constitution' which comes from the neutral position of the president as representative of a state (Karl, B.-k., 1988, 30).

The two legal henchmen offered accounts on backgrounds for adopting 'presidential emergency measure in the *Yushin* Constitution by clarifying the origin of the exigencies of South Korea. In response to the détente in Sino-US relations, they sought to fortify anti-Communism by interpreting the Korean War as a proletarian antagonistic challenge in allusion to Schmitt's view on crisis of the Weimar Republic.

2. Emergency measures and the formation of a state-business alliance

Park usurped the presidential emergency powers throughout the *Yushin* era in two aspects. According to Stephan (1985), 'the capacity to lead the regime's political allies depends on the degree to which the regime has both 'defensive' and 'offensive' projects that potential allies consider to be feasible, crucial for the preservation and advancement of their own interests, and dependent on authoritarian power for their execution (Stephan, 1985, 320). In terms of 'defensive' projects, Park used the emergency measures to brutally oppress political resistance to his *Yushin* regime. Park's deployment of the emergency powers provoked numerous incidents of human rights violations against democratic values. As to the 'offensive projects', Park used the emergency powers to restructure the economic order for the HCIP program.

During the 1960s the economic development of South Korea had taken off from absolute poverty based on the export of labour-intensive products. Hence, issues of capital formation and industrial relations were relatively small matters. However, by the late 1960s, the issues of the formation of capital and suppressing labourers' demand for more equal distribution of wealth had begun to emerge. As Park decided to pursue the HCIP, Park felt the need to re-establish capital and industrial relation *vis-à-vis* the state in a transition from a labour-intensive industry to capital and technology-intensive

industry. From this background, Park incorporated the presidential emergency powers as an instrument to shape state-capital relations.

Park created a state-capital relationship with the emergency measures as a basic socio-economic order in his pursuit of the HCIP. The essence of Park's composition of the economic order was an allocation of national financial resources to *chaebols* to perform the HCIP and the confiscation of power of the working class through state violence.

To explain Park's reasons for making alliances with *chaebols*, Hundt stated that Park had to resort to illicit means such as harassment of political opponents by state violence and the use of illegal campaign funds supplied by the *chaebols* for the rigging of elections due to insufficient public support. As Park had a strong command of the military to be mobilised for his political purposes, he needed to secure a more stable supply of political money (Hundt, 2009, 118).

Park and his followers of the military oligarchs strengthened social networks with leaders of most of the top ranking Korean *chaebols* by '*honmaek* (婚脈)' and '*inmanek* (人脈)' personal relation mainly through marriage and education. Leaders under Park's regime interlocked ties by intermarriage relation among military, political, business, journals, and academic elites. In addition, educational background also played pivotal roles in cementing ties between the military and the civilian elites. Around 70 percent of top positions for the economic elites and higher civil servants were occupied by graduates from the top major three universities (Seoul National University, Korea University and Yonsei University) and Korean Military Academy (Kang, 2004, 51-60; Granovetter, 2005, 444).

Alongside established ties with business elites, Park mainly focused on mobilising financial resources to *chaebols* and building up legal and institutional foundations in preparation for heavy industrialisation. There could be explanations on Park's concentration. First, in the HCIP, an accumulation of financial resources and upgrading of technical skills mattered more significantly. Hence he did not feel the need for mass mobilisation for the HCIP. Second, the US strongly opposed any attempts by Park to rely on mass mobilisation. Park launched *Saemaeul* Movement a mass mobilisation in the countryside on April 22, 1970, which continued until the 1980s. It

aimed to alleviate the economic gap between urban and rural areas as the votes from the rural areas were the lion's share of Park's political support. As to Park's pursuit of the *Saemaeul* Movement, the US government intervened to suspend the *Saemaeul* Movement because it is by nature a mass mobilisation. Park's staff made efforts to persuade the US to change their suspicions on Park's reliance on mass mobilisation (Hwang, B.-t., 2011).

Before launching heavy industrialisation, Park had introduced a series of legal measures as antecedents to the HCIP to weaken the collective bargaining power in the pretext of national security (Shin, D.-m., 2003, 99). Park promulgated 'The Extraordinary Law on Trade Unions and the Labour Disputes Arbitration for Foreign Invested Company' in 1970. In the state's efforts to attract foreign capital investment to heavy industry, this law aimed to stabilise increasing labour disputes in foreign invested firms in Korea in the late 1960s. The law stipulated that the establishment of trade unions and their activities in the foreign invested firms must be under more direct control of the state. Subsequently the 'Law Concerning Special Measures for Safeguarding National Security' was enacted to empower the state to restrict the rights of labour unions:

(1) In a state of emergency, both employers and trade unions should ask the pertinent authority to intercede with all disputes and the rights of collective bargaining and collective action should be exercised according to the arbitration of the pertinent authority. (2) The President can take a special measure that restricts the right of collective action for the employees working in the following working places which could jeopardise state security and state mobilisation; a) public officials working in the state and local authorities, b) employees working in public enterprises, c) employees involved in public affairs, d) employees working in working places that could have crucial effects on the national economy (ROK. Law Concerning Special Measures for Safeguarding National Security, Article 9)

In March 1972, the ‘Measure Dealing with Collective Bargaining under National Emergency’ was enacted to expand ‘the range of enterprises defined as belonging to the public interest’ (Chang, D.-o., 2009, 101).

Before the declaration of the HCIP in 1973, Park already set a goal in the Third-Five Year Economic Plan (1972-197) to achieve a ‘balanced economy’ between light and heavy industry. The government plan to encourage the development of heavy industry was seen as irrational for a South Korean economy with few natural resources, accumulated finance, or technology. The dilemma for heavy industrialisation was that ‘if it is promoted for the domestic market alone, the economies of scale could not be achieved due to the small size of the South Korean market. On the other hand, if the heavy industries were pushed to meet the demands of the international market, we would not have adequate capital or technology’ (Kim, E.-m., 1994, 138).

In this context, Park turned to a drastic presidential emergency measure to underline his desire to push through heavy industry development. On the second of August 1972, Park had intervened in the curb market by proclaiming the ‘3 August Presidential Emergency Decree’ which enforced a moratorium on curb loans. The origin of this radical measure springs from the side effects of economic growth in the 1960s (Kim, C.-y, 2011).

In the early 1960s, the equity market in South Korea was not mature. Hence, most companies became heavily dependent on various loans. Companies raised their funds from banks under state control and curb markets. As Table VII-1 indicates the interest rates remained high. With the excessive reliance on various loan companies, Korean companies became financially vulnerable to external economic shocks and cyclical business recessions.

Table VII-1 Interest rates on various loans

Year	Curb loans	Corporate bond	Bank loans to		GNP deflator
			General corporation	Export-oriented corporation	
1971	46.41		22.0	6.0	13.92
1972	38.97		19.0	6.0	16.11
1973	33.30		15.5	7.0	13.40
1974	40.56		15.5	9.0	29.54
1975	41.31	20.1	15.5	9.0	25.73
1976	40.47	20.4	17.0	8.0	20.73
1977	38.07	20.1	15.0	8.0	15.67
1978	41.22	21.1	18.5	9.0	21.39
1979	42.39	26.7	18.5	9.0	21.20

(ROK. Bank of Korea, *Economic statistics yearbooks*, various issues).

Around the middle of the 1960s, South Korea witnessed high inflation due to the increase of the supply of money which came from increased exports, economic compensation for the involvement in the Vietnam War, and economic aid from Japan as a result of diplomatic relations in 1965. To control inflation the state increased interest rates from 15 % to 30 % while interest rates for bank loans rose moderately from 1 percent to 24 percent. In addition, there was a continuous depreciation of the Korean won from 130 won per US dollar in February 1961 to 370.80 won per dollar in June 1971. The combination of the state's counter-inflation and exchange rate measures financially aggravated debt-laden companies (Kim, C.-y., 2011, 321).

At the outset of the 1970s, the economic slowdown of the US began to spread to Korea's economy. On 11 June 1971, Kim, Yong-wan, the President of the Federation of Korean Industries (FKI) discussed with President Park on this difficult economic situation. From this meeting, further contacts between the state and business were made. From these contacts, Park became inclined towards a contingency plan to intervene in the curb market in response to requests of the FKI for state assistance (Kim, C.-y., 2011, 329).

After a clandestine preparation by Park's secret ad-hoc committee, Park issued the 'Presidential Emergency Decree on Economic Stability and Growth on the second of August, 1972. The Decree had ordered the 'cancelling of all loan agreements between curb market lenders and their borrowers effective from August 3, 1972 (Kim, C.-y., 2011, 331).

The emergency decree aimed to bail out all private enterprises under economic hardship from curb market loans. The decrees illegalised all transactions in the curb market (Kim, E.-m., 1994, 147). The Emergency Decree included the following articles:

- (1) All the loan agreements between licensed business firms and lenders in the curb market loans as of August 2, 1972 were nullified and replaced by new agreements. The debts were to be converted into long-term at 1.35 percent monthly interest rate to be repaid over a five year period after a three-year grace period. Or the lenders had the options to switch their loans into shares of the borrowing firms.
- (4) Establishment of the 'Fund for Industrial Rationalisation' at the Korea Development Bank to be used for the business firms that could meet the criteria of the rationalisation standards.
- (5) Overall reduction in interest rates of banking institutions...

The thrust of the decree was that the state imposed a bail-out of heavily indebted firms and owners of business by sacrificing private creditors and expanding generous financial support from the state to the *chaebols* through the Fund for Industrial Rationalisation (Lim, W.-h., 2003, 42). The total amount of curb market loans reported to the government in a week amounted to 345.6 billion Korean won, which was 80 percent of the money supply (ROK. Ministry of Finance, 1978, 155).

As Table V-1 indicates, the average interest rate of the curb market was around 40 % while that of banks was around 19% in 1972. From 1973, the interest rate of bank remained between 15% and 19 %. In the case of export-related businesses, the interest rate was less than double-digit. Through the decree, the state provided business sectors with preferential treatment in their migration from the curb market to the bank. Subsequent to the presidential emergency decree, the state took a series of measures to

support the presidential emergency decree. Through these events, the state sought to mobilise finance from the curb market to regular financial institutions, mainly the banking sector, under the control of the state or equity market (Kim, C.-y., 2011, 315-354).

Subsequently, the state provided a variety of low-interest-rate loans to businesses and tax incentives. In particular, the government had strategically allocated the 'Fund for Industrial Rationalisation' established by the decree to selected *chaebols* to account for the HCIP as seed money (Choi, B.-s., 1987, 117-118).

The consequences of the decree were twofold. Economically, the state mobilised financial resources to regular financial institutions like the state-controlled banking sector and equity markets. By doing so, the state became able to control the allocation of national financial resources to provide massive capital injections into heavy industrialisation. Hence, the decree was a gesture of the state to strengthen the state-business alliance in pursuit of the HCIP. More specifically, Park wished to expedite the oligo-politicisation of the HCI sectors (Kim, E.-m., 1994, 151).

Politically, it was unprecedented and unthinkable in any capitalist economic system that a state should nullify private contracts through a presidential emergency decree. It had a political significance that heralded a new era in the *Yushin*. While the presidential emergency was a key element of the *Yushin* Constitution, Park and his coteries were still drafting the *Yushin* Constitution at the time. Hence, the '3 August Presidential Emergency Decree could be interpreted as a political rehearsal to experiment the presidential emergency powers. By proving that he had the ability to overcome an economic crisis through the emergency decree, Park wished to justify the adoption of dictatorship in state emergency cases.

Finally, in the 1960s, Park's ascendancy to political power was based on the nature of the military agent for modernisation being autonomous to the traditional structure. However, Park himself dented the state autonomy by using the instrumental autonomy of the state for constituting an alliance with big business.

Park declared the government's Heavy and Chemical Industry Policy in an Annual New Year Press Conference on the 12th of January, 1973. He set the specific goal of his policy to be the achievement of \$10 billion in export earnings and \$1,000 per capita GNP by the early 1980s:

I declare the ‘Heavy and Chemical Industry Policy’ through which the government hereafter will focus on the development of the heavy and chemical industries. I would also like to call on the people of the nation so that all of us from now on begin a campaign for the scientification of all people. I urge everyone to learn technological skills, master them and develop them (Park, C. H., cited in Kim, H.-a., 2004, 165-166).

Park’s proclamation of the HCIP encountered heavy opposition from bureaucrats and scholars because it was seen as too premature and risky for the economy of Korea which did not have enough national resources or technology. They reasoned that it was better for Korea to concentrate on developing light industry (Kim, E.-m., 1994, 138).

However, Park crushed any criticism and was firmly determined to drive his pet policy. Park sought legitimisation by linking the HCI to the development of the defence industry, justifying his plans to develop a self-reliant military and defence industry through the HCIP (Kim, H.-a., 2004; O, W.-c., 2009).

O, Won-chöl is credited with having influenced President Park’s ideas of linking defence and the HCIP. O was the Second Chief Economic Secretary (1971-1979). The Chief Secretary was a newly created position when Park introduced the *Yushin* Constitution. With expanded presidential powers in the *Yushin* Constitution, Chief Secretaries played the role of economic planners in governmental policy and as directors of the relevant Ministry. Park appointed him as the head of the Committee for the Development of Heavy and Chemical Industries in 1971. From 1971 to 1979, O had been responsible for the HCIP and the build-up of the defence industry (O, W.-c., 2009).

In pursuit of the HCIP, mobilisation of financial resources was the most daunting challenge to Park. However, Park was reluctant to raise the tax burden on people to perform economic growth due to his political illegitimacy. As the *Yushin* Constitution had removed the direct election of the President, Park had used tax cut policies to appease the grievance of the people. So Park deployed various state institutions to mobilise financial resources. The main sources of finance were various funds raised by the state and the influx of foreign loans guaranteed by the state. The

state established the National Investment Fund (NIF) in 1974 as a key financing scheme for the HCIP. The NIF relied on compulsory deposits from banks, insurance companies, various public funds, and a national savings association (Choi, B.-s, 1987, 118).

From 1973 to 1979, the state provided \$3.8 billion, 32 percent of total foreign loans to the HCIP with payments guaranteed by the government. From 1977 and onwards, the HCIP accounted for more than 80 percent of total foreign loans while less than 20 percent was allocated to the light industries (ROK. Bank of Korea, *Economic statistics yearbooks*, 1962-1982). During the period 1976-1979, 64.8 % of total manufacturing investment concentrated on the heavy and chemical industry sectors (Jang, S.-c., 2000, 222).

The *Chaebol* became the largest recipient of various preferential policy funds raised by the state, foreign borrowing, tax incentives, and protection by government from foreign multinational companies. In the 1970s, more than 30 policy funds were formed which accounted for around 68 percent of total bank credit (Choi, B.-s, 1987, 117).

The preferential treatment of the *chaebols* accelerated sectoral - intensive development, which created widening gaps between the *chaebols* and small- and medium-sized firms (Kim, E.-m., 1994, 150-151; Lim, W.-h., 2003). However, the state preferential incentives had at the same time produced heavily leveraged financial structures at the *chaebols*.

3. Distortion of the fiscal structure

In December 1973 the global oil price hike caused a shock in South Korea. As South Korea entirely relied on the import of oil, Park's regime launched another contingency plan. After the ad-hoc task team worked 20 days, they submitted a plan for emergency measures to Park. The proposed measures included drastic amendments to the existing taxation system and the budget which would provoke serious differences with the National Assembly. Thus it was decided that the authorisation of these measures should be based on presidential emergency power (O, W.-c., 2009, 308).

On 14 January, 1974, Park declared the 'Emergency Presidential Measure No. 3 for Stability of the Public Life', The measure mainly involved extensively decreasing the tax burden, increasing then number of criteria for tax exemptions, high tax rates on

the consumption of luxurious consumer goods and the deferring of the national pension. The main objective of ‘The Emergency Measure No.3 was the substantial reduction of income tax as follows:

- Increase in the basic property tax exemption, exemption or significant reduction of the earned income tax, business tax, and residential tax, and postpone the implementation of the National Welfare Pension and Teacher’s Pension
- Stabilising prices through a strong price control
- Increase of the governmental purchasing price of rice from farmers
- Implementation of a tight fiscal policy
- Restraining luxury consumption (O, W.-c., 2009, 311).

Subsequently Park explained his ideas on the state-people relationship by stressing his discourse in overcoming the oil price crisis:

The impact of the current crisis is expected to be even more severe for countries like Korea that are forced, because of lack of natural resources of their own, to secure the majority of their raw materials from abroad... I believe that although our current situation may be more complex than that faced by other nations, we will in the end confidently overcome this new challenge. Lastly, let us all, based on the sense of unity and common purpose that exists between the government and public, be inspired and encouraged that we will rise above the current difficulties during this year that is now upon us... I implore the entire nation in our efforts to overcome this difficult period (Park, C. H., 1974)

Among the measures, the increase in tax exemptions was so drastic that 85% of the income taxpaying base had disappeared immediately. These radical measures were influenced by Park’s anxiety towards North Korean propaganda. According to Professor Kim, Jong-in, an economic advisor to Park, the escalating crisis from the oil shock, opposition to the *Yushin* Constitution and North Korea’s propaganda provoked Park:

The drastic event took place in January 1974. Before establishing the annual budget plan, the President took emergency measures. The income tax exemption criteria had changed to 50,000 Korean won... At once, 85 % of taxpayers had disappeared... The oil shock in 1973 mattered but North Korea had abolished direct taxes in the summer of 1973. North Korea had been airing ‘North Korea, a paradise without tax’ a propaganda program towards South Korea. Furthermore, governing became difficult after the *Yushin* era. While student unrest continued and social unrest increased, the oil shock in November 1973 raised the price of oil by more than three times. Therefore, the government had to tackle the problems for maintaining economic growth while maintaining social stability (Kim, J.-i., cited in, Kim D.-k., 2012, 73).

Park’s measure was an impulsive decision for political purposes. However, the decision became a watershed for the social and fiscal policy of South Korea. Since Decree No. 3, the increase of direct income tax by the government has become an impregnable task. During the late 1970s, around 70 % of tax payers remained exempt from the burden of income tax (See Table VII-2).

Table VII-2 Trend in shares of income tax payers, 1976-1980

Unit: 1000; Ratio: percent

Year	Total number of employees	Number of *EITP	Ratio of EITP	*ITP	Ratio of ITP
1976	6,125	4,432	72.4	1,693	27.6
1977	6,626	4,894	73.9	1,732	26.1
1978	7,118	5,239	73.6	1,870	26.4
1979	7,645	5,210	68.1	2,436	31.9
1980	7,2585	4,926	67.9	2.332	32.1

(Kim, D.-k., 2013, p .140).

Notes:

*EITP: Exemption of Income Tax Payers

* ITP: Income Tax Payers

Table VII-3 Comparison of shares of direct and indirect tax in Korean

Unit: percent

Year	Direct Taxes	Indirect Taxes
1970	50.5	49.5
1971	50.8	49.2
1972	48.5	51.5
1973	46.4	53.6
1974	44.9	55.1
1975	40.1	59.9
1976	41.6	58.4
1977	37.1	62.9
1978	37.8	62.2
1979	37.5	62.5

(ROK. Economic Planning Board, 1988, 169).

The reduction of income tax rate had transformed the tax structure of South Korea to become heavily reliant on indirect taxes like consumption tax. This distorted fiscal structure was maintained from the 1970s to the present day with only slight modifications. The direct tax share of governmental tax revenue diminished from 50 % in 1970 to 37.5% in 1979, whereas the indirect tax share increased from 49.5% to 62.5% (See Table VII-3).

The heavy reliance on indirect taxes created some conspicuous features in South Korean fiscal structure. The indirect tax in itself is regressive because the tax burden for the rich is relatively lower than for those of low-income. In the late 1970s, the equal distribution of the tax burden became further aggravated (Ha, Y.-s., 1992, 213).

Table VII-4 Percentage of total governmental expenditure devoted to education, health, and social welfare in selected countries

Korea (1982)	20.8
Argentina (1980)	46.8

Brazil (1979)	54.5
Mexico (1980)	36.3

(Lee, J.-w., 1993, p 108).

It has become a fiscal impediment to expenditure on health, and social welfare. Table VII-4 shows that, by the year of 1982, South Korea's share on fiscal expenditure on education, health, and social welfare lagged far behind selected countries in Latin America. Currently this trend still lingers in South Korean whose GDP per capita is around the average of the European Union level.

4. Crisis of the *Yushin* dictatorship from HCIP

In the late 1970s, Park's regime was witnessing rapid increase in fiscal deficits (See Table VII-5). In the later half of the 1970s, the fiscal deficit was surpassing that of the earlier half. Hence, Park's regime saw that they could not maintain the generous trend of tax incentives to companies and income tax and the heavy reliance on indirect tax for the long term. However, considering the political landscape Park's regime could not reverse the low income tax policy. Therefore, Park sought to find an alternative to increase fiscal revenues through introducing consumption tax.

From the early 1970s, Park's regime began to study the Value Added Tax (VAT). German businessman Wilhelm Von Siemens is credited with coming up with the idea of a VAT in the 1920s. His ideas had been developed to be implemented in 1954 in France. Since then the VAT was gradually expanded to many other countries (Charlet and Owens, 2010, 943).

Table VII-5 Budgetary positions of the public sector

Unit: Billions of Korean Won (%)

Year	Total expenditure and net lending	Total revenue	Fiscal Deficit	Deficit financing	
				Domestic borrowing	Foreign borrowing
1970	515.4	487.6	27.8	1.2	26.6
1971	642.1	565.7	76.4	5.2	71.2
1972	846.5	645.0	192.0	142.5	50.0

1973	844.7	757.7	87.0	27.1	59.9
1974	1,418.6	1,117.7	300.9	221.9	79.0
1975	2,518.6	1,692.5	466.1	322.9	143.2
1976	2,909.7	2,511.4	398.3	172.8	225.5
1977	3,660.5	3,184.9	475.6	196.3	297.3
1978	5,001.0	4,385.2	615.8	256.6	259.3
1979	6,210.1	5,769.8	440.3	174.0	266.3

(ROK. Ministry of Finance, 1980, 42-43).

The Ministry of Finance invited two foreign tax experts to conduct a feasibility study of introducing the VAT in South Korea. In 1972 Mr. Duignan, former head of the Irish National Tax Service, who led the introduction of the VAT in Ireland came to South Korea in 1972. In 1973, Dr. Sharp, a UN consultant, who advised Japan on the introduction of the VAT after World War II, was also invited. From 1974 onward, the government embarked on the preparation for the introduction of the VAT (Kim, C.-y., 2009, 363). The government dispatched some bureaucrats and scholars to European states including the UK, West Germany, and Belgium to study the VAT in 1974. There was a further visit to the EEC, UK, and IMF from 1975 to 1976 (Kato, 2003, 188). After the six-year investigation, the VAT legislation was passed in the National Assembly in November 1976. Park's regime introduced the VAT to replace business tax and merge several existing commodity taxes on the 11th of March 1977 (Kang, M.-s., 2005, 45).

Subsequently, the government launched an intensive campaign to increase public understanding of the VAT. The introduction of the VAT was a result of a bureaucratic calculation in response to the fiscal crisis and to reverse the preferential treatment of the *chaebols* in the HCI sectors. By the late 1970s, Park's regime was considering whether it was the time to end sector-specific investment (Kang, M.-s., 2005; Kim, C.-y., 2011). However, the introduction of the VAT sparked off explosive dissent and concern on the decrease of consumption among small and medium merchants in the deepening gap resulting from the HCI-specific accumulation of capital. Park's pursuit of the HCIP involved both promotion of export of labour-intensive products and import-substitution policy in heavy industry in the 1970s. In other words,

economic profits from exports in light industries had been continuously used for maintaining fragile viability of the heavy industries (Fujita and James, 1989, 248).

Table VII-6 Comparison of state support for the HCI and light industries in the 1970s

Support	HCI	Other light industries
Effective protection*	71.2%	-2.3%
Regulation on entry	Yes	Yes
R&D support	Yes	No
Reduction in utility bill	Yes	No
Effective corporate tax	20-25%	40-50%

(Lee *et al.*, 2012, 731).

Note: Effective protection is a measure of the total effects of the entire tariff structure on the value-added per output in each industry.

Table VII-7 Shares of production and investment between light industry and the HCI

	Unit: percent			
	1976	1977	1978	1979
Production	100	100	100	100
Light industry	50.5	49.6	48.8	48.4
HCI	49.5	50.4	51.2	51.6
Investment	100	100	100	100
Light industry	25.8	24.6	17.5	24.3
HCI	74.2	75.4	82.5	75.7
Total investment/GNP	27.6	31.0	37.8	41.8

(ROK. Korea Development Institute, 1981).

In Waldener's framework, the role of institutions in developmental states was to overcome the Kaldorian dilemma, which was the aim to enhance efficiency by using the accumulated capital after overcoming the Gerschenkron's dilemma. As to Park's heavy industrialisation, Park failed to overcome the Kaldorian dilemma which denotes enhancing efficiency and competitiveness in the HCIP through the institutional

framework. Park aimed to tackle the sluggish performance of the HCI sector by imposing intensive strains on the light industry sectors.

As Table VII-6 and VII-7 show, along with concentrated state support, investment in the HCI sector accounted for 76 percent in 1979. However, at the same time, the contribution of the HCI to production remained around 50 percent. This huge gap between investment and production had been fostering grievances in the working class employed in light industry. While the state was investing in the HCI sector, Park continued to impede the rise of wages in export-oriented industries, mainly labour-intensive non-durable products to maintain comparative advantage. This policy had distorted the wage structure of labour across industries. In particular, the government controlled wages of female labour employed in export-oriented companies that produced labour-intensive non-durable products like textile, shoes and wigs. Table VII-8 and V-9 shows that the average female wage had remained less than 50 percent throughout the 1970s. Moreover, the wage gap between export-oriented sectors and inward-market oriented sectors remained around 60 percent. This data indicates that some specific labourers in light industries had been suffering from a distorted wage structure to take heat off the low productivity of the HCI sectors. Park's strict control of the labour wage in light industries was manipulated to alleviate the failure of addressing the Kaldorian dilemma, capital efficiency mobilised to the HCI sector.

Table VII-8 Wage gap between genders

Unit: Korean Won

	Average	Male (A)	Female (B)	B/A (%)
1971	22,440	27,364	11,793	43.6
1972	22,834	28,047	12,793	45.6
1973	27,300	33,886	15,605	46.1
1974	36,034	44,792	20,790	46.4
1975	46,654	60,319	25,465	42.2
1976	77,375	82,871	36,396	43.9
1977	104,132	102,924	45,199	43.4
1978	146,442	135,089	58,662	43.4

1979	146,442	189,278	80,159	42.3
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(ROK. Ministry of Labour, each year).

Table VII-9 Wage gap between Export-oriented companies and inward-market oriented companies

Unit: Korean Won

Year	Export-oriented companies (A)	Inward-market oriented companies (B)	A/B (%)
1972	24,600	400,000	61.5
1973	307,300	484,400	63.4
1974	393,000	603,900	65.1
1975	500,100	603,900	64.9
1976	703,400	998,000	70.5
1977	822,900	1,287,100	63.9
1978	1,197,900	1,637,900	73.1
1979	1,443,900	2,072,400	69.1

(ROK. Bank of Korea, *Analysis of business trend*, each year).

Moreover, along with the distorted wage structure between heavy and light industries, the introduction of the VAT synchronised with a serious economic crisis. The second oil price shock (1979-1981) had hit South Korea. Along with the oil shock, the chronic overcapacity and redundancy of the HCI sectors had exacerbated an inflation crisis. In the late 1970s, the South Korean economy was suffering from serious inflation (See Table VII-10).

Table VII-10 Inflation rate and money supply

Unit: percent

	1976	1977	1978
Money supply (M2)	33.5	39.7	35.0
Inflation rate			

Wholesale prices	12.2	9.0	11.6
Consumer prices	15.3	10.1	14.4
Food & beverages	17.8	11.6	16.7
GNP deflator	20.7	15.7	21.9

(ROK. *Korean economic indicator*, 1985).

As Park's regime was already excessively financially burdened due to the accumulated fiscal deficit, Park's regime increased the supply of money to provide financial subsidies to the HCIP, which triggered serious inflation in the late 1970s (See Table VII-10). As the VAT was in nature regressive, the combined impact of high inflation and VAT had seriously harmed the stability of low-income household (Ha, Y.-s., 1992, 263-270).

To tackle the inflation crisis, Park announced the 'Comprehensive Measure for Economic Stabilisation' under the motto of 'termination of 30 years' inflation' in April 1979. The Measures included deregulating prices, import liberalisation, suspension of major investments and restructuring of the heavy and chemical industry sector, a more restrictive monetary policy, reduction in economic loans, and control of real estate speculation. It was a turning point in South Korean economic policy with the adoption of liberalism (Choi, B.-s., 1987, 157).

However, this drastic shift to the restrictive monetary policy imposed a financial strain on small and medium sized companies. In the Masan Free Trade Zone, a labour-intensive based industrial city located in the south east part of Korea, many low-skilled labourers were abruptly laid-off without being paid by Japanese foreign venture firms, which triggered a massive labour uprising against Park's regime in which students and small shopkeepers joined the fray. The students called for democracy and small shopkeepers revolted against the VAT. Park's regime countered with violence in October 1979 (Choi, B.-s., 1987, 157)

On 26 October 1979, President Park was suddenly murdered by the Korean CIA Director Kim, Chae-kyu a close loyalist of Park's. Kim claimed that he murdered Park in a dispute on how to tackle the labourer uprising. Kim claimed that the introduction of the VAT and increasing economic inequality had triggered the civil disobedience to

Park's regime (Kleiner, 2001, 165-166; Kim, D.-k., 2013, 113-115). Kim, Chae-kyu stated in his trial the reasons for murdering Park:

I went by myself to Pusan to investigate the Pusan-Masan uprisings. It was a civilian uprising. The protestors and civilians were in harmony. It was caused by resistance to the regime, distrust in governmental policy, high inflation, and resistance to the taxation (Kim, C.-k. 28 January 1980, cited in Kim, D.-k., 2013, 114).

Although Kim's actions still remain mysterious, civil disobedience to taxation had a seminal impact on subsequent regimes. Park's policy had complicated results. In democracy, tax policy is in essence strictly under the control of the representatives in parliament. Under the authoritarian political format, the government failed to note the explosive nature of democratic sensitiveness to taxation.

Subsequent governments of South Korea dared not revise the heavy reliance on indirect tax and the low income tax rate. This unique structure stands in stark contrast to other developed economies where the reliance on income tax is much higher. On the other hand, in spite of Park's demise, the VAT survived to become the lion's share of fiscal resources in South Korea. In such a structure, South Korea has a limited ability in increasing fiscal revenue, which hinders the development of any welfare state.

5. Concluding remarks

This chapter addressed how Park used the Presidential emergency measures to broaden the elite coalition with *chaebols* and to provide 'side payments' through drastic cuts in direct taxes to the public. Park turned to dictatorship to overcome the lack of financial resources and the backwardness of late industrialisation in the context of overcoming Gerschenkron's dilemma. Isolating the role of parliament in fiscal affairs. Park's use of the Presidential Emergency Power was effective in overcoming Gerschenkron's dilemma for mobilising financial resource to his targeted sectors. By doing so, Park could foster the Korean *chaebols* to perform the HCIP and form a strong alliance with capital. However, this alliance had definitely dismantled the 'state autonomy' from insulation of specific social groups, which galvanised mass militancy towards big

business and Park's dictatorship. In response, Park reduced the income tax rate to mitigate democratic resistance to Park's formation of the state-capital relationship, which produced a distorted fiscal structure. Due to these policies, heavy reliance on indirect tax reliance produced a chronic fiscal constraint with increased mobility of capital in the private sector.

The *Yushin* dictatorship was an instrumental tool for Park's mobilisation of national resources to heavy industrialisation. Park mainly focused on the allocation of human capital with technology and financial resources to private business conglomerates. However, Park failed to deal with the Kaldorian dilemma which was caused by his deployment of Presidential Emergency Power. The heavy industry sector consistently witnessed poor efficiency and productivity in the 1970s. To tackle this dilemma, Park imposed the burden of heavy industry to the light industry sector. He had to marginalise labour forces without technical skills mainly employed in light industry sectors by state violence of the dictatorship. While Park had focused more on providing side-payments to his political supporters such as military elite, big business, bureaucracy, and skilled labour forces in heavy industry (see next chapter), South Korea saw the upsurge in grievances of less-talented labour class in the late 1970s. The marginalised labour class proved ultimately to be Park's political enemies who provoked mass uprisings and dismantled Park's dictatorship.

Finally, Park relied on Carl Schmitt's espousal of dictatorship for overcoming crisis transiently. But, as this chapter shows, Park's use of the Presidential Emergency Powers had widespread impacts beyond the control of Park. As the use of Presidential Emergency Power by Park mainly targeted at incorporating economic institutions rather than tackling the real security threat such as militant conflicts and invasions of external forces, it made it difficult for him to understand by far wide-ranging repercussion coming from underlying social responses and market mechanism. Park's failure in crisis management had proved ultimately to be a real and fatal crisis to himself.

VIII. Redistribution of national wealth through home-owning

This chapter addresses how Park turned to postwar German Social Market Theory ‘public housing and welfare redistribution’. During Park’s regime, bureaucrats and technocrats of the state maintained the National Comprehensive Construction Planning (1972-81) as a sort of governing technique in providing ‘public housing and welfare redistribution’ as social amenities for the heavy industrialisation. The national land planning was characterised by its supplementary role for economic growth. Hence, national planning had concentrated on the development of industrial facilities and housing for accommodating industrial employees in the urban areas to support industrialisation.

South Korea was no exception to the pattern of housing shortages in the newly developing nations. From the 1950s to the mid-1970s, South Korea witnessed a deteriorating housing situation in the urban areas. During this period, an unprecedented population explosion and massive influx of impoverished people from the countryside resulted in rapid urbanisation and a shortage of urban housing. At the time, the private sector did not have the capability of providing for urban accommodation.

In response to the inability of the private housing market, the South Korean government initiated a state- a state-developed housing program for low-and middle income households in the 1970s. In the case of Seoul, the South Korean government provided state-directed urban housing to accommodate a population of five million. The state-developed housing was characterised by extensive home construction and governmental emphasis on home purchasing to foster the middle-class in possession of assets (Ronald, R. and M.-j. Jin, 2010, 2367).

In Park’s pursuit of the housing policy, he was directly inspired from German Social Market Theory in the mobilisation of financial resources for housing. In particular, most of references of Park and his staff to West German model in housing policy are based on empirical and direct studies of that country’s postwar social policy.

During his visit to Germany in 1964, Park met postwar political leaders of West Germany like Prime Minister Erhard and President Lübke who were in line with

German social market theory. In particular, Erhard had a special connection to South Korea. Erhard devoted considerable pages of his book *‘Wohlstand für Alle (1957)’* to the Korean War crisis (Erhard, 1958, 37-59). He was relatively well versed in the Korean situation in the 1950s. As stated before, Erhard had been well known to Korean high-level bureaucrats in economic departments for his currency reform in 1948 and his visit to South Korea in 1958. In conversation with Park in 1964, Erhard put emphasis on social economic policies to defeat Communism in his advice to Park (ROK. Public Information Bureau, 1964; Erhard, 1964 in FDR. BA, B136/51028). Moreover, Professor Kim Jong-in, an economic advisor to Park, had a leading role in instilling German Social Market theory of postwar Germany and introducing property formation policies and a welfare system during Park’s regime.

Based on this background, this chapter examines the unique origin of the Korean house ownership policy with reference to the West German impact of a similar policy. As discussed in the previous chapter, Park put the pursuit of the HCIP in priority. Park was reluctant to invest available financial resources to the state-developed housing program. Therefore, Park sought to minimise governmental expenditure for the state-developed housing program without any consequences. For this purpose, Park turned to ‘Land Readjustment (LR)’ a German legal framework for appropriating land without compensation in the process of mobilisation of resources. In the allocation of housing, the government adopted ‘Property-formation (*Vermögensbildung*)’ policy for encouraging people to purchase their house rather renting it.

Park’s pursuit of state-developed housing aimed to redress the balance between capital and the working class in industrial relations and for social stabilisation in the 1970s. His policy was successful in providing massive housing in the short term. However, incorporation of the ‘property formation policy’ had a conspicuous impact on the redistribution of national income and class structure in South Korea.

The structure of this chapter is organised as follows. At the outset, I draw on property-owning democracy in the UK and the *Vermögenspolitik* in West Germany to explain the origin of property politics. In the next section, I go over the rapid urbanisation of South Korea in the 1960s and the 1970s, which posed a challenge to Park’s regime. Then, I explore how Park mobilised resources for state-led housing. In particular, I analyse a formative impact of the adoption of German land readjustment

into housing policy, which caused a chronic inflation in real estate properties. Finally, I address the governmental promotion of housing ownership. By doing so, I argue that Park's housing policy had produced an asset distribution which empowered conservatism and undermined the Marxist class conflict.

1. Property-owning democracy vs. *Vermögenspolitik*

This section provides a historical and theoretical background of 'property owning politics' which had emerged separately in Britain and West Germany in the last century. English-speaking politicians had contributed to the initial conceptualisation of the 'property owning politics' and theoretical development. However, it was postwar-West Germany that introduced actual policies based on the 'property owning politics'.

In 1923, Noel Skelton (1880-1935) a Scottish Unionist politician coined the phrase 'property-owning democracy' in the 1920s in his response to social and political problems. Skelton stated that Conservatism cannot survive if it continues to play a role in only protecting the constitution. He noted the imbalance of the British people between an increased political and educational status and property-ownership. For Skelton, this imbalance will produce social unrest and room for the rise of socialist ideas in Britain. The educated masses in a democracy became more susceptible to socialist ideology. Therefore, he proposed 'Constructive Conservatism' that focused on the outstripped economic status of the masses (Francis, 2012, 276).

James Meade, a British economist who pioneered theoretical development which was succeeded by John Rawls in a migration to political theory (Jackson, 2012, 32). Meade argued that the serious economic inequalities of Britain were of wealth rather than income. In the era of economic expansion, inflation endows privileged economic benefits to those in possession of property rather than to mere income earners:

A man with much property has great bargaining strength and a great sense of security, independence, and freedom and he enjoys these things not only vis-à-vis his propertyless fellow citizens but also vis-à-vis the public authorities. He can snap his fingers at those on whom he must rely for an income; for he can always live for a time on his capital. The propertyless man must continuously and without interruption acquire his income by working for an employer or by

qualifying to receive it from a public authority. An unequal distribution of property means an unequal distribution of power and status even if it is prevented from causing too unequal a distribution of income. (Meade, 1993, 41)

Therefore, income earners become losers in the race to wealth accumulation. This trend makes losers vulnerable to socialist appeal. Meade advocated for an egalitarian policy such as progressive taxation on wealth to reduce the wealth inequalities:

If private property were much more equally divided we should achieve the 'mixed' citizen - both worker and property owner at the same time - to live in the 'mixed' economy of public and private enterprise. The ownership of private property then fulfill its useful function of providing a basis for private enterprise and for individual security and independence without carrying with the curse of social inequality as it now does (Meade, cited in Jackson, 2005, 421-422).

For Meade, the welfare state and strong collective bargaining would be limited in effectiveness because the welfare system which relies on a high rate of income tax fund, at some point, weakens economic efficiency and trade union strategies tend to eventually cause inflation. Furthermore, both the welfare state and strong collective bargaining do not address inequality in property ownership. Hence, Meade recommended a further step from the welfare state by combining measures to equalise private property ownership (Meade, 1993, 38-68).

Meade inspired John Rawls to support a 'property-owning democracy' as an alternative to welfare state capitalism in *Justice as fairness* (2001). In *Justice as fairness*, Rawls retreated from his proposal on a conception of justice suggested in *A theory of justice* (1971). Rawls criticised welfare state capitalism because it violates the principles of justice. For Rawls, 'welfare-state capitalism permits very large inequalities in the ownership of real property (productive assets and natural resources) so that the control of the economy and much of political life rests in few hands'.

Hence, Rawls claimed that welfare-state capitalism seemed to provide 'quite generous benefits and a guarantee to a decent social minimum covering basic needs' but

it does not recognise ‘a principle of reciprocity to regulate economic and social inequalities’ (Rawls, 2011, 137-138). On the other hand, ‘the background institutions of the property-owning democracy work to disperse the ownership of wealth and capital, and thus to prevent a small part of society from controlling the economy, and indirectly, political life as well. By contrast, welfare-state capitalism permits a small class to have a near monopoly on the means of production’ (Rawls, 2011, 139).

For Rawls, welfare-state capitalism is not efficient in meeting the principles of justice and maintaining a monopolised access to the modes of production. Thus, he became geared to ‘property-owning democracy’ as an alternative to welfare capitalism. The aim of ‘welfare-state capitalism’ is that ‘none should fall below a decent minimum standard of life, one in which their basic needs are met, and all should receive certain protections against accidents and misfortune’ (Rawls, 2001, 139-140). However, there may arise a spirit of being discouraged and depressed among an underclass that is chronically dependent on welfare and left out of public political culture. On the other hand, the aim of ‘property-owning democracy’ is to realise in the basic institutions the idea of a society as a fair system of cooperation between citizens regarded as being free and equal:

To do this, those institutions must, from the outset, put in the hands of citizens generally, and not only of a few, sufficient productive means for them to be fully cooperating members of society on a footing of equality. Among these means is human as well as real capital, that is, knowledge and an understanding of institutions, educated abilities, and trained skills (Rawls, 2001, 140).

Rawls regarded that ‘property-owning democracy’ avoids this monopoly through ensuring the widespread ownership of productive assets and human capital such as education and trained skills rather than the redistribution of income. In Rawls’s framework, all of its citizens must have access to public opportunities to education and training to acquire skills.

To summarise the Rawls’s logic of ‘property-owning democracy’, the welfare-state capitalism based on Keynesian doctrines does not effectively tackle the biased structure of property ownership as a mode of production in the Marxian sense. If the

state denies the sacredness of private property in the Lockean sense, it becomes susceptible to be stigmatised as socialism in English speaking political theory. As long as the Keynesian welfare model mainly relies on redistribution of nominal income by the state's fiscal policy without tackling the structure of wealth inequalities, it becomes vulnerable to inefficiency and inflation in the long term. In spite of Rawl's contribution to theoretical discussions on the 'property-owning democracy', he did not seem to notice the empirical cases of 'property-owning politics' which had been practiced in West Germany, Japan and South Korea. He died just after publication of his *Justice as fairness* (2001).

In addition, there is another trend of property-politics which started in postwar West Germany, which inspired the policy-makers of Japan and South Korea in the 1970s. After the war, a Social Market Economy had emerged in West Germany as a product of German efforts to end Nazi –style economic controls and to create a new economic order (Hook, 2004).

The concept of the Social Market Economy has its roots in the *Ordoliberalism* established by the Freiburg school which foregrounds a uniform criteria in economic order. In *Ordoliberalism*, 'the freedom of the individual must be preserved in all spheres of human existence against the background of natural economic scarcities and the conflicts inherent in any society'. Hence, the Social Market Economy aims for shaping the economic system in the middle ground between the capitalist market and social balance and between competition and social solidarity (Radke, 1995, 5).

In the synthesis of liberalism and socialism, the 'Property Formation Politics (*Vermögenspolitik*)' emerged conspicuously in West Germany during the 1950s. The Property Formation Politics (PFP) is characterised by governmental measures aimed for the formation of property and distribution. In an ideal *laissez-faire* capitalist market, economic activities including the distribution of wealth are regulated by the market mechanism. In reality, the free market mechanism produces serious inequality of wealth distribution. This inequality could cause social unrest and destroy social solidarity.

Historically, the property-less working class witnessed the rise of their wages but property ownership for them had been difficult whereas the bourgeois class obtained benefits from both income and property. This trend aggravated the inequality of wealth distribution and undermined social stability.

To tackle this problem, West Germany introduced a series of enactments in line with the PFP in the 1950s. The PFP aimed to alleviate inequality of wealth distribution by governmental measures to assist the poor in wealth accumulation. The aim and effects of the PFP could be divided into political, sociological, and economic aspects (Schachtsschabel, 1983, 94).

The PFP contributes to protecting liberalism in the capitalist state against temptation to Communism. First, the PFP consolidates the ‘principle of social justice’ by alleviating tensions between the working class and capitalism and redressing balance in industrial relations. In addition, the reduction of excessive economic dependence of income through the PFP hastens the formation of the middle-class in possession of housing. Secondly, the PFP expands the freedom of the individual and social activities. The working class could be independent from exploitation as possession of property increases the elasticity of labour supply. Finally, a biased accumulation of wealth plays a role in impeding a fair competition in the market (Han, I.-s., 1987a, 211).

The introduction of the PFP in West Germany evolves from the currency reform in 1948 (Han, I.-s., 1987a, 214). On the 20th of June 1948, Erhard had introduced a rapid currency reform to ‘prevent the black market and to protect the integrity of the new Deutsche Mark (Hook, 2004, 167). However, this reform caused serious inflation which was beneficial to those in possession of property. The drastic reform brought about huge benefits for the state and those who possessed real estate, whereas most households had cash. To deal with the unfairness of the currency reform, the state enacted the ‘Equalisation of Burdens Law (*Lastenausgleich*)’ in 1952 to soften the negative effects of the currency reform on the most disadvantaged (Hook, 2004, 168). The *Lastenausgleichsgesetz* levied tax amounting to about 50 percent of property value. Subsequently, the PFP evolved into more various types of policies such as financial property, encouragement of owning real estate and participation of the working class in management according to the types of property.

2. Rapid urbanisation

In non-communist states in Far East Asia, housing policy was inclined towards the encouragement of house-ownership. At the macro level, state-developed housing policy aimed for the expansion of the construction industry and economic growth. At the micro

level, 'it supports the social and economic basis of family self-reliance for welfare needs where owner-occupied housing functions as a market-asset vehicle for building up household reserves as well as a node of intergenerational exchange relations' (Ronald, R. and M.-j. Jin, 2010, 2370). In such a context, housing policy was a common instrument for establishing economic and social conditions which were necessary for economic growth (Wang and Murie, 1999; Lee, 1999; Agus *et al.*, 2002; Chua, 2003; Forrest and Lee, 2003; Hirayama and Ronald, 2007). However, the development of each Far East Asian housing policy was diverse.

The origin of state-developed housing in South Korea originates from concerns about urban unrest in the 1960s and rapid urbanisation. In 1960, South Korea witnessed an overthrow of the government through student uprisings in the cities. After the uprising of 1961, According to declassified documents from the American Embassy in Seoul, the vulnerability of Korean society to urban disturbance in the early 1960s was reported as follows:

Underlying the political unrest in South Korea is the weak and uncertain state of an economy poor in natural resources... The annual food shortage, which the rural areas normally experience in April and May before the early planting is harvested has already hit many districts. The urban population has been subjected to a general rise in prices (USA. Kennedy Library, National Security Files, Countries Series, Korea, General, 1/61-3/61, 1961).

Unemployment, underemployment, and low wages are still pervasive, and we are beginning to get a few reports of restlessness among urban workers (USA. Department of State, Central Files, 795B.00/12-1561, 1961)

This objective has become more difficult in face increased public criticism of regime, especially in urban areas (USA. Department of State, Central Files, POL 15 S KOR. Secret; Priority, 1962).

Table VIII-1 of urban population in Korea, 1915-1980

Year	Total population ('000)	Urban population (%)
1935	22,208	6.4
1945	19,369	14.5
1950	20,167	18.4
1955	21,502	24.4
1960	24,954	28.3
1965	28,327	33.9
1970	31,435	46.1
1975	34,707	50.9
1980	38,124	60.0

(ROK. Economic Planning Board, each year).

Table VIII-2 Housing shortage rate

	1960	1970	1980
Housing shortage rate	17.5%	21.8%	28.8%
Urban area	33.4%	41.2%	43.4%
Rural area	11.1%	7.4%	8.3%

(ROK. National Statistical Office, each year).

Along with this latent urban unrest, the housing situation in the cities had been exacerbated since independence from Japan (See Table VIII-1 and Table VIII-2). During the colonial period in the earlier part of the twentieth century, the share of the urban population had been less than 10 percent by the end of 1930s. At the time of independence, 14.5 percent of the population lived in the cities. South Korea saw a moderate rise of the urban population to 28.3 percent from 1945 to 1960 due to the influx of an estimated population of more than eight million from North Korea during the Korean War (Kwon, T.-k., 1977, 204). From the 1960s and 1970s, there was an

upsurge in the urban population. By the middle of the 1970s, the urban population exceeded the majority as shown in Table VIII-1.

The velocity of urbanisation was a salient trend in comparative perspectives. Table VIII-3 shows that the share of Korea's urban population was similar to that of other less developed regions in the 1940s. In the 1970s, it had increased to similar levels to that in Europe and more than double that of other less developed regions. Considering the economic gap between Europe and South Korea in the 1970s, the convergence of the share of urbanisation indicates that the accommodation of the increasing population emerged as an urgent issue.

Table VIII-3 Urban population percentage in Korea Europe, North America and less developed regions

	1940	1950	1960	1970	1975
World total	18.8	21.2	25.4	28.2	29.7
Europe	39.5	40.7	44.3	49.9	48.2
North America	46.2	50.8	58.0	62.6	65.4
Less developed regions	8.6	11.4	15.4	18.5	20.3
South Korea	10.9	18.1	28.3	46.1	50.9

(Ha, S.-k., 1984, 30).

The rapid urbanisation in the 1960s and 1970s was rooted in two reasons: (1) changes of agricultural productivity and (2) governmental push for economic growth through industrialisation. First, there was a drastic increase in productivity in rice-production. Throughout its long history, Korea had suffered from the shortage of food. Due to the huge gap in temperature between summer and winter, rice cultivation was only available once a year during the summer. Therefore, depending on the amount of the rice yield, Korea often experienced severe food shortages during the winter period.

To deal with food shortage, the Korean government introduced *Tong-il* rice a derivative of IR8 through Park's strong encouragement in the early 1970s. During the 1960s and 1970s, the International Rice Research Institute (IRRI) achieved an innovation in increasing productivity of rice production by developing IR 8 a rice derivative (Kim, Y.-s., 2000, 6). The introduction of *Tong-il* rice was successful in

raising productivity and achieving self-sufficiency in rice in the 1970s. However, the increased productivity of rice-yield had created redundancy problems in agriculture and a drastic fall in the price of rice. These circumstances also precipitated the drain of young populations in the countryside.

Secondly, in the 1970s, Park's pursuit of the HCIP accelerated the influx of labour forces from the rural into the urban. Along with rapid urbanisation, South Korea witnessed drastic changes in the social and economic structure. As table VIII-4 shows that there had been a drastic increase in the percentage of the middle and working classes from 1960 to 1990. Park's pursuits of the HCIP expanded the employment market in the heavy industry sectors and accelerated the rise of the new middle-class and working class (Lee, J.-w., 1993).

Table VIII-4 The Korean class structure, 1960-1990 (percentage)

	1960	1966	1970	1975	1980	1985	1990
Upper class*	1.1	0.9	0.8	0.6	0.9	1.2	1.3
New middle-class*	5.5	6.9	9.4	10.4	14.5	18.7	23.0
Old middle-class*	14.8	15.4	13.8	13.1	15.3	16.3	16.9
Working class*	13.0	19.0	25.3	26.1	31.7	36.8	41.3
Farmers/Fishermen	65.6	56.8	50.7	48.8	36.6	26.0	16.5
Total (Millions)	6.9	8.0	10.2	12.7	12.7	14.2	15.8

(Lee, J.-w., 1993, 11; Lee, J.-w., 1993, 100).

*Upper class: business owners

*New Middle-class: Professionals and technicians, low-level managers, clericals, supervisors in sales and services

*Old Middle-class: Non-agricultural self-employees

*Working Class: industrial workers, sales employees, services employees

On the other hand, economic discrepancy was becoming very large. South Korea witnessed 708.6 percent in the expansion of national economic growth from 1960 to 1969 while the nominal wages in mining and manufacturing at the same period increased respectively 457.5 percent and 420.1 percent (See Table VIII-5). The increase in real wages for labour, in consideration to the price index, amounted to 147.2 percent

in mining and 133.0 percent in manufacturing (ROK. Bank of Korea, *Economic statistics yearbooks*, each year).

The reason for this huge gap was twofold. First, the economic growth of South Korea in the 1960s had been mainly dependent on the export of labour-intensive products. Thus Park oppressed the rise in wages to maintain a comparative advantage. Secondly, the massive influx of young people from the countryside into the cities had created an oversupply in labour forces, which weakened the bargaining power of labour in industrial relations. Hence, most of the urban labour forces could not have the financial resources for their housing.

Table VIII-5 Pattern between wage and national economic growth in the 1960s

Wage unit: Korean Won
GDP unit: 100,000,000 Korean Won

	Nominal Wage				National Economic Growth	
	Mining		Manufacturing		GDP	Index
	Wage	Index	Wage	Index		
1960	3,300	100	2,330	100	2,158.9	100
1961	3,780	114.5	2,610	112.0	2,646.4	122.5
1962	4,230	128.1	2,780	119.3	3,032.7	140.4
1963	4,670	141.5	3,180	136.4	4,315.7	199.9
1964	5,620	170.3	3,880	166.6	6,270.0	264.6
1965	7,130	216.0	4,600	197.4	7,130.6	330.2
1966	8,410	254.8	5,420	232.6	9,108.6	417.7
1967	10,990	333.0	6,640	284.9	10,699.0	495.5
1968	12,240	370.9	8,400	260.5	13,287.0	615.4
1969	15,100	457.5	9,790	420.1	17,240.9	798.6

(Bank of Korea, *Analysis of business trend*, each year).

Against this backdrop, in 1972, Park came to recognise housing as one of the essential social policies. Park introduced state-developed housing by mobilising national resources to provide massive urban accommodation. Park initiated the first Ten-Year National Comprehensive Physical Plan (1972–81) which set the target of

producing 2.5 million units by 1981 (Lee, D.-s., 2002, 108). Park's state-housing policy had remarkable features: (1) the governmental fiscal expenditure had been minimised; (2) under state direction, the private sector took charge of the construction of massive-urban housing; (3) the government maintained a dual pricing system in allocating housing to the people; and (4) the government encouraged people to own housing rather than to rent them.

3. State mobilisation for housing

Park had promulgated the enactment of a 'Law for Promoting Housing Construction' in 1972. 'The purpose of the law was to affect planned housing production and to define provisions for fund raising and other matters necessary for the adequate flow of housing construction' (Lee, D.-s., 2002, 112).

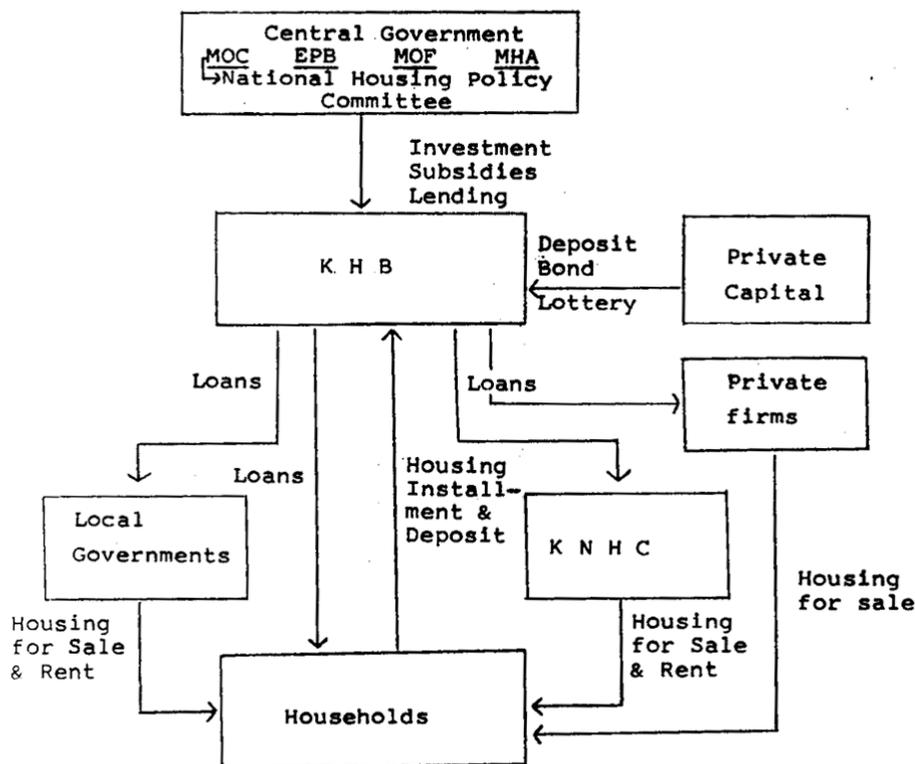


Figure VIII-1 State apparatus and funds in state-directed housing

(Ha, S.-k., 1984, 165).

Notes: MOC: Ministry of Construction

EPB: Economic Planning Board

MHA: Ministry of Home Affairs

KNHC: Korea National Housing Corporation

KHB: Korea Housing Bank

Park had arranged the state apparatus and agents for the administration of housing policy. As a body of the central government, the Ministry of Construction (MOC) played a role in formulating housing policy in cooperation with the other bodies like the Economic Planning Board (EPB) and the Ministry of Home Affairs (MHA). Under the control of the MOC, the Korea Housing Bank (KHB) and the Korean National Housing Corporation (KNHC), and local governments operated the housing policy. The KNHC was established in 1962 as a public enterprise to construct public housing targeted at low-income households. The KHB was established as a single national bank in 1967 to provide financial resources for housing by taking contractual savings from potential buyers under the Housing Subscription Savings Scheme (HSS).

Table VIII-6 Housing investment in Korea, 1962-1980

Unit: billion Korean Won

Year	GNP (A)	Fixed capital formation (B)	Housing investment (C)	C/B (%)	C/ A (%)
1962	3,071.1	324.3	38.8	12.0	1.3
1964	3,671.5	374.6	52.1	13.9	1.4
1966	4,378.5	759.8	81.9	10.8	1.9
1968	5,195.6	1,280.3	154.1	12.0	3.0
1970	6,363.0	1,612.9	215.6	13.4	3.4
1972	7,365.6	1,715.2	211.8	12.3	2.9
1974	9,141.0	2,326.9	406.7	16.5	4.5
1976	11,275.5	2,918.5	403.1	13.8	3.6
1978	13,886.1	5,152.7	844.8	16.4	6.1
1980	13,842.8	4,976.4	616.0	12.4	4.5

(ROK. KHB, 1983, p .373).

As Park's regime had focused on developing the HCIP sectors, low priority was put to housing development. Table VIII-6 shows that the South Korean government did not put a priority to investment in the housing sector from 1962 to 1980. During this period, the average investment in housing was 3.2 per cent of GNP, much lower than the 6-8 percent recommended by the United Nations and World Bank. The average ratio of housing investment to fixed capital formation was 13.1 which was lower than in major Western states (France: 29.8, West Germany: 28.4, and UK: 16.6, and USA: 26.3) (Ha, S.-k., 1984, 166).

Table VIII-7 Increasing share of state-developed housing

Units: '000 (%)

Year	State housing sector	Private sector	Total
1967-1971	70 (12.9)	471(87.1)	541(100)
1972	17(15.9)	93(84.1)	111(100)
1973	44(30.4)	99(69.6)	143(100)
1974	43(27.5)	115(72.8)	158(100)
1975	63(34.8)	117(65.2)	180(100)
1976	62(36.3)	108(63.6)	170(100)
1977	80(38.2)	123(61.8)	203(100)
1978	115(38.5)	185(61.5)	300(100)
1979	118(47.1)	133(52.9)	251(100)
1980	106(52.0)	105(49.8)	211(100)

(ROK. Korean National Housing Corporation, Collection of housing statistics, 1982).

In spite of the low-expenditure of the state on housing, Table VIII-7 indicates that the share of state-developed housing had consistently increased in the 1970s. To understand this contradictory result, it is necessary to understand the mechanism of national resources for housing under Park's regime.

The government introduced a variety of ways for providing funds to housing. The KHB played a pivotal role in raising and disbursing funds. The KHB relied on three main sources: (1) state housing pre-emptive subscription deposits, (2) the national housing bonds, and (3) the housing lottery. First, the state housing pre-emptive subscription deposits was devised to induce prospective buyers to deposit money to the KHB in advance as a whole and partial payment. The amount of the deposit corresponded to the size of the housing to buy. This is the most conspicuous feature of the Korean housing policy which requires compulsory savings in financing and allocating state-developed housing. The housing bonds were the largest source. As interest rate of the bonds was low around 5 percent annually, the state sold them in various channels by making it compulsory to purchase them in property registration like cars and real estate and vis-à-vis licenses from the state for some business sectors like gambling and entertainment. The housing lottery was introduced under the 1972 Law for Promoting Housing Construction (Ha, S.-k., 1984, 169-171).

Along with financial resources, the obtaining urban land for housing was a crucial issue. At the stage of purchasing land, Park's regime had introduced 'Land Readjustment (LR)' based on German 'zoning (*Umlegung*)'. Through the adoption of the LR, the South Korean government confiscated land from private owners without compensation.

The LR originates from legal establishment in Germany in parallel with the growth of town planning in the late nineteenth century. At that time Germany became confronted with rapid urbanisation and housing shortages due to rapid industrialisation and unification. Some German states had enacted 'laws regulating zoning, building height and setback from the street, and expropriation of private property for such public uses as new roads (*Staffelbau-ordnungen* and *Fluchtliniengesetze*)' (Diefendor, 1993, 222). Toward the end of the century, some laws were passed which enabled towns to redraw 'property lines (*Umlegungsgesetze*)' so that the size and orientation of land parcels would conform to zoning standards. Franz Adickes was the *Oberbürgermeister* of Frankfurt-am-Main from 1891 to 1912. He is credited with developing the German Land Readjustment Law (the *Lex Adickes*). He introduced a bill *Umlegungen* to the Prussian Diet in 1892. It was finally passed in an amended form in 1902. The bill allowed governments to redraw property lines (*Umlegungsgesetze*). According to the

law, the government appropriates up to 35% of property for housing and civil engineering such as widening streets and redeveloping slums without compensation to the owners. The owner's loss would be made up by gains that would accrue from the improvements built by the town (Ladd, 190-191; Diefendor, 1993, 122; Sorenson, 2002, 123).

Japan had adopted the LR from Germany in the 1870s. The LR was then introduced to Japan's colonies like Korea and Taiwan. The LR was first introduced in Korea in 1934 with the enactment of the Colonial City Planning Law of 1934 for reshaping the existing urban configurations. Since the 1930s to the 1950s the LR projects had been implemented fragmentarily (Lee, T.-i., 2002). It was Park's regime that enacted the LR to utilise it extensively. The enactment of the LR in South Korea originates from Park's encounter with the German *Autobahn* in 1964. Park decided to build a Seoul-Pusan expressway as his *magnum opus* of the 1960s. Park became obsessed with the construction of the Seoul-Pusan expressway by minimising the cost in the shortest term. In his efforts to obtain access to the resources of land without any fiscal expenditure, Park enacted the Land Readjustment Project Act in 1966 (Lee, T.-i., 1987, 216).

Along with the City Planning Act of 1962, enactment of the 1966 act was used to minimise the cost of purchasing land in Seoul for the construction of the Seoul-Pusan expressway. Afterwards, the LR was expanded to the urban housing programs (See Table VIII-8). The government used the LR to provide massive state-housing and civil engineering as per social policy (ROK. Seoul City, 1982).

Table VIII-8 Seoul's land readjustment programs

				Unit: m ² , percent
Period	Number of projects	Total area	Average size	
Before 1950	10	16,974,842	1,687,494	
1950s	9	1,326,350	147,372	
1960s	17	58,123,319	3,444,843	
1970s	11	39,907,178	3,627,925	
1980s	4	14,412,118	3,605,280	

Private/KNHC projects	7	8,086,608	1,155,230
Total	58	139,839,494	2,411,025

(ROK. Seoul Metro, 1984).

Now, the scheme of the LR in South Korea is to be illustrated. First, the government selects an area and declares the LR to the effect which the land owner must agree. Then, the land is divided into three zones: (1) ‘compensation land (*Chebiji*)’, (2) public land, and (3) returned land. The government appropriates the land from the private owner without any payment. Then, the government sells the compensation land off on the private market to cover the cost of the construction of infrastructure such as roads, electricity, communications, and running water. The public land is owned by the government to construct roads, park, and public facilities. The remaining land, around 64 %, is returned to the original owner. The original owner loses about 36% of the property. Thus, in this mechanism, the cost of development of infrastructure comes originally from land-owners. In terms of legal philosophy, the LR violates the constitutional principle of the protection of property ownership: the state only could appropriate the personal property with ‘due compensation’. The adoption of the LR in South Korea without repercussions shows the dominance of German legal doctrines in South Korea in contrast to common law where the sacredness of property rights prevails.

The land readjustment projects in South Korea prevailed from the late 1960s to the end of the 1970s. The LR had in this period accounted for approximately 90 per cent of the new land development in the cities. 14.4 per cent of the total urban area was developed by the LR. In particular, the LR was intensively applied to larger urban cities (Jang, Y.-h. and L. Chatterjee, 1988, 285).

In Seoul 117 square kilometre was covered by the LR between 1961 and 1981. By the late 1970s 58 percent of the urban area in Seoul was developed through the LR. In other large cities of South Korea, ‘land readjustment also played a significant role in the development of residential areas: in 1982, the area created through readjustment accounted for 36.6 per cent of the total residential area of Pusan [the second largest city], 48.1 percent of Daegu, [the third largest] and 61.5 percent of Inchŏn, [the fourth largest]. Obviously, the percentages would be much higher if only newly developed areas were counted’ (World Bank, 1991a, 47).

Professor William Doebele of Harvard University visited Korea as a consultant of the World Bank and studied the South Korean LR projects. Doebele concluded that the Korean experiments of the LR were the most effective form of urban development for third world countries. Doebele had recommended the LR method to the World Bank as a self-financing urban development project suitable for housing development projects financed by the World Bank in developing countries (Hwang, M.-c. and W. Doebele (1982).

Strikingly, after the LR project, the price of the returned land soared much higher than that of the whole land before the readjustment. As Table VIII-9 indicates, the land value increase after development was so high that the land owners would benefit from the loss of 36% of their land ownership just from the rise of land prices.

Table VIII-9 Land value increase after development in selected three cities

City	Value increase after the project: p^1/p^2		
	Average	Highest	Lowest
Seoul (1967-75)	6.8	13.1	2
Daegu (1969-75)	2.7	4	1.7
Gwang-ju (1968-75)	2.5	2.8	2

(Ha, S.-k., 1984, 181).

The massive application of the LR and huge price gaps before-and after the LR projects had serious problems. The LR yielded attractive returns from selling the appropriated land. The land readjustment profits were then used to provide support for low-income housing projects without any fiscal costs. But in spite of these advantages the land readjustment caused serious problem. The LR in nature operates based on a considerable increase between pre-development and post-development prices. Landowners and government agencies undertook land readjustments when they were sure that the changes in price were large enough to make the schemes profitable. Therefore, the LR was liable to cause inflation and speculation. Compared with other economic indexes like real GDP and the Consumer Price Index (CPI), the increase in the prices of housing and land was much higher than for the other economic indicators (See TableVI-10).

Table VIII-10 Trend of housing-related economic variables: 1974-1980

Year	Real GDP	Urban consumption	*M2	Housing Price	Land Price		Construction Cost	CPI
					Korea	Seoul		
1974	100	100	100	100	100	100	100	100
1975	107	134	128	139	127	132	132	125
1976	121	167	164	176	161	153	164	144
1977	133	193	239	220	215	201	173	159
1978	146	259	323	287	320	474	214	182
1979	157	343	402	396	373	505	283	215
1980	154	415	510	502	417	572	364	276

(Kim, K.-w., 1993, 56).

Notes: M2: money supply

From 1974 to 1980, the price of land and housing drastically escalated. During this period, there was a serious real estate speculation fever. In 1978, Park had to introduce emergency measures to cool down speculation on the 8th of August 1978. But the speculation fever had already caused inflation which had negative effects on the low-income working class as users of housing while the rise of their wage was under the control of the government.

4. Allocation of housing through Property-Formation Policy

The South Korean government adopted ‘*Vermögensbildung in Arbeitnehmerband (VA)*’ from West Germany at a stage of allocating state-developed housing. Among the German VA policies, the Korean policy makers drew on the ‘Housing Premium Law (*Wohnungsbau Prämien-gesetze*)’ of 1952 and the ‘Savings Premium Law (*Sparprämien-gesetze*)’ of 1959. The appropriation of the VA in housing policy aimed for stability in Park’s dictatorship during the 1970s. However, in spite of this political purpose, it also created a substantial impact on Korean society in the distribution of national wealth.

In the 1970s, the South Korean government selectively adopted the ‘Property Formation Policy for Employees (*Vermögensbildung in Arbeitnehmerhand*)’ from West

Germany to surmount social disturbances in the process of industrialisation. According to a government document from the Bank of Korea, South Korea borrowed from the (VA) which originates from the ‘Property Politics (*Vermögenspolitik*)’ of West Germany, defined as all types of social policy for the formation of property and its distribution. It aimed to alleviate the concentration of property through increasing property among the low-income class and resolving the unfairness of property distribution (ROK. Bank of Korea, 1977).

Professor Kim, Jong-in was a leading figure in the adoption of the Property Politics from Germany. As to background of the adoption of ‘Property-Formation Saving’, Kim stated it had aimed to establish political stability through social policy. According to Kim, Korea made a strategic selection to overcome the backwardness of its late economic take-off in the 1960s. The government fostered some selected *chaebols* to lead the rapid economic growth by providing preferential state support. As the government put economic growth in priority over social distribution, the rise of labour wages had been restricted (Kim, J.-i., 2013).

However, Kim claimed that the state did not have a proper way of distributing the economic benefit except in increases of the labour wage. The government only can bolster the strength of the labour class through facilitating the formation of labour unions. However, the government wished to oppress the rise of labour wages. Moreover, Kim believed that the *chaebols* would surpass the government in the future. Considering the trend of escalating business power, economic inequality would create social unrest with the rise of dissent from the labour class in the 1970s. Against this backdrop, Kim felt that it was necessary to redress the balance in industrial relations. Kim offered a first-hand explanation on the process of the introduction of Property-Formation Saving in Korea in 1975:

How was the Property-Formation Saving born? It was introduced for the low-income people... I recommended it to Kim, Yong-hwan, a chief secretary of economics stating that ‘as a comprehensive leader in economic policy you [Kim, Yong-hwan] should consider stability of the regime rather than focusing on minor details’. So I recommended an introduction of a policy for supporting employees, forming new political power in the industrial society. He became a

Minister of Finance a month later. So I told him that ‘A Minister of Finance has a limited toolset mainly taxes or finance. Let’s introduce Property-Formation Saving. Therefore, the enactment of the Property-Formation Saving had begun in such a way... In the spring of 1975, the President ordered that I construct the measures to deal with newly emerging social power (Kim, J.-i., 2009).

According to the Bank of Korea, the ‘Savings for Property Formation for Employees (*Gesetz zur Förderung der Vermögensbildung der Arbeitnehmer*)’ was introduced from West Germany in 1975 to encourage employees’ savings through providing support like financial and tax incentives, and legal savings premiums (ROK. Bank of Korea 1977; Kim, D.-k., 2013, 105-107). In addition to this purpose, the government utilised this policy to increase savings in response to drastic drops of the savings rate in 1975 as Table VIII-11 indicates. In 1973, the global oil price shock damaged the South Korean economy.

Table VIII-11 Savings rate of South Korea

Year	Private savings rate
1972	12.1
1973	19.4
1974	18.2
1975	14.6
1976	16.9
1977	19.5
1978	19.9
1979	19.4

(ROK. Ministry of Finance, each year).

The government took further measures by proclaiming the ‘Enactment for Increasing Savings and Supporting Property Formation for Employees’ on 1 April 1976 (ROK. Ministry of Finance, Enactment 1178). Importantly, the Enactment of 1178

provided house purchasing support along with various stipulations on government preferential treatment.

Table VIII-12 State-developed housing for sale and rent percentage in Seoul, 1975-1981

Unit: percent

Year	Rent	Sale	Total
1975	26.6	73.4	100
1976	19.2	80.8	100
1977	34.1	65.9	100
1978	10.8	89.2	100
1979	3.7	96.3	100
1980	16.6	83.4	100

(ROK. Seoul City, 1982; ROK. Korea National Housing Corporation, Collections of housing statistic, 1982, 340-343).

Through this enactment, the governmental promotion for increasing savings was integrated to the allocation of state-developed housing to encourage people to purchase homes. As Table VIII-12, the government focused on selling state-developed housing rather than renting it to the people.

The allocation of state-developed housing was targeted at low-income households. Hence, the government developed a unique system of housing allocation through adopting the Property Formation Policy. The government allocated housing purchasing rights prior to construction to qualified people targeted by the government. The qualified were low-and middle-income people who applied for governmental savings programs.

To explain the mechanism of the allocation of state-directed housing, people joined the housing related savings through depositing a lump sum of money or monthly instalments. Then people waited until the government allocated a new house. The government allocated the deposits and instalments to private construction companies for the construction of housing. Then the government allocates the new housing at strictly controlled prices to those who have joined the savings. At the same time, the loans to

builders are converted into mortgages that the purchasers of the new houses should repay (Kim, W.-j., 1995, 149).

In the 1980s and 1990s subsequent governments maintained the mechanism of Park's state-directed policy and bolstered the Property Formation Policy for encouraging savings and house ownership. The promotion of home purchases had produced a unique structure of household asset in South Korea. Currently, real estate accounts for around 75 % of the average household asset structure. This ratio is much higher than for other major developed states (See Table VIII-13).

Table VIII-13 Comparison of household asset structure

	South Korea	USA	Japan	UK	EU	Australia
Real asset	75.1	31.5	40.9	50.1	58.3	61.3
Financial asset	24.9	68.5	59.1	49.9	41.7	38.7

(ROK. National Statistical Office, 2013).

However, it is difficult to estimate if Park's policy was successful in achieving the purposes of encouraging home ownership and supplying housing to low-income households. Despite the governmental supply of massive housing and the promotion of home purchases, Figure VIII-2 indicates that home ownership policy did not result in any remarkable achievements from 1975 to 2005.

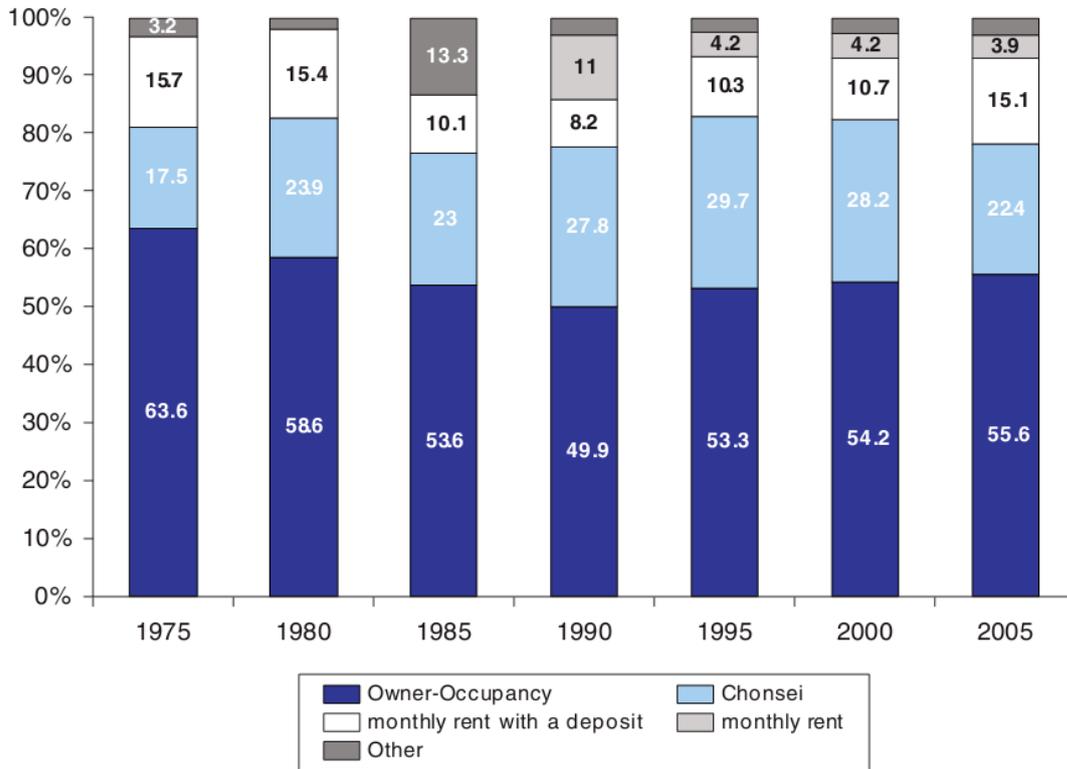


Figure VIII-2 Housing tenure developments in South Korea, 1975-2005

(National Statistical Office, Population and Housing Survey, cited in Ronald, R. and M.-j. Jin, 2010, 2370).

Note: *Chonseil* denotes a Korean type of rental tenure. The *Chonseil* requires a renter to make a lump sum deposit of key money at the beginning of occupancy which is fully refunded at the end of the contract period.

Since labour wages remained strictly controlled, the compulsory requirement for the Housing Subscription Savings Scheme was an excessive financial burden for low-income households. Most of the low-income classes could not afford to subscribe to the deposits. The governmental aim of supporting the low-income households became subdued in the face of the ultimate concentration of home ownership.

Moreover, the governmental extensive reliance on the Land readjustment had stimulated speculation and price inflation. The speculation fever produced numerous multiple-property owners among middle- and upper-income homeowners. As of 2005 ‘1,050,000 households (around 8 per cent of households) owned more than one property and accounted for 38 per cent of ownership of the total housing stock’. In contrast, ‘16

per cent (or 2,250, 000 households) of all houses fell below minimum housing standards in 2005 with 82.3 per cent of low-income households falling into this sub-standard housing category' (ROK. Ministry of Construction and Transport, 2006, translated in Ronald, R. and M.-j. Jin, 2010, 2376). Finally, the concentration of national assets in real estate appealed to the government in terms of fiscal policy and capital mobility. As Park had drastically reduced income tax for political stability, the high ratio of real estate increased alternative fiscal resources. For the government, collecting tax from property is much easier than from financial assets. Moreover, Park's promotion of home-ownership was instrumental to the control of the mobility of private capital by channelling them to banks.

Park's nurturing of middle-class in possession of property through state-directed housing is well explained by analysis of the relation between capitalist development and democracy proposed by Rueschemeyer *et al.* (1992) In their analysis, they saw that that change of democracy is determined by power and power sharing in three clusters of relevance such as (1) class power, (2) state power and (3) transnational structures of power (Rueschemeyer *et al.*, 1992). Furthermore, they claimed that the posture of one class cannot be determined in isolation from that of all other classes. It is reliant on combination of a variety of actors in by far complex situation. In particular, they dwelt on a more pivotal role of the middle-classes in the development of democracy because they regarded the working class has not enough ability to tackle dynamic relevances (Rueschemeyer *et al.*, 1992, 272). As to the relation between capital and democracy, the middle-class can better organize to demonstrate their political decision to maximize their economic interests than the other class. Similar to Rueschemeyer *et al.* (1992), Choi, Jang-jip (1993), a Korean political scientist had commented on this countervailing relationship in the South Korean political situation:

Under the strategy of the military-ruling elites to foster the middle-class, the middle-class had ambivalent attitudes. They opposed the ruling elites in political aspects but they became subjugated to support them in the sake of economic prosperity and interest. While the middle-class were dedicated to property formation and social ascendancy, it was very unlikely that the distribution of

wealth and welfare capitalism would become part of the political agenda (Choi, C.-j., 1993, 35).

The middle-class in possession of homes became ambivalent towards the military dictatorship. In general, the new middle-class was expected to espouse democracy. However, they benefited from the income tax cuts and government preferential support on home-purchasing under Park's dictatorship. Most of the financial resources in housing were provided by contractual subscriptions between governmental housing banks and families. 'Housing has a stronger dual nature as welfare -good and exchange- commodity' (Ronald, 2008, 232).

Hence, the homeowners had a strong obsession with maintaining the value of their homes. For them, a democratic government would adopt the expansion of welfare in response to the demands of the low-income class. Then the increase of income tax rates would become inevitable, which reduces the economic interests of home-owners. Hence, the new middle-class compromised to support the military dictatorship in compensation for the governmental protection of their properties from the demands of more equal distribution of wealth by the working class.

5. Concluding remarks

The state-directed housing had contributed to providing massive urban accommodations with minimised fiscal cost while fostering a middle-class. Along with the state-*chaebol* alliance through the HCIP, the redistribution of real estate had determined the structure of the middle-class in South Korea. The middle-class identity was more determined by possession of housing rather than occupation. In terms of capital structure, the state had intervened into the mobility of capital through the banking sector. It played an instrumental role of banks in South Korea, in Gerschenkron's sense, in controlling capital mobility. The state depressed private sector consumption in compensation for providing state-developed housing to channel capital to the *chaebols* who account for the HCIP.

However, Park's policy had a trade-off impact on expanding welfare capitalism. The drastic tax cuts had caused the crowding out effect on welfare expenditure. However, the promotion of housing policy played a role in trading off the demand for

welfare in the middle-class. In South Korea, demand for the expansion of welfare had never been a political issue until the end of the twentieth century (Song, H.-g., 1999).

Furthermore, this mechanism generated inflation and substantial polarisation between the middle-class and the low-income class through property-redistribution. The ramifications had a peculiar impact on the political landscape of South Korea. The *chaebols* and the middle-class tend to compromise easily to support a conservative political party that could sustain the asset-values of the middle-class. In essence, they support continuous asset inflation and they reject the expansion of welfare expenditure. Political compromise between the *chaebols* and the middle-class for protection of their assets has become a stubborn foundation for the conservative political doctrine in South Korea.

IX. Conclusion

In this research, I have attempted to explain the way President Park and his staffs turned to their conceptualised Germany as being called as ‘Miracle on the Rhein’ in Park’s dogmatic pursuit of the heavy industrialization and its social consequences. South Korea’s phenomenal economic performance was based on Koreans’ capacity to learn and modify foreign institutions and ideas for its own purposes. This research has shown that reception of German statehood in South Korea aimed for producing tailored institutions for building up self-reliance with heavy industrialization. Hence, the German model played a part in making South Korean economic model more dynamic facing obstacles and challenges.

To summarise the findings of this research, I have articulated the uncharted routes of introduction of various German models into Korea and provided analysis of the roles of German model in heavy industrialisation and its social consequences in three areas such as (1) emphasis on technical upgrade in education, (2) Presidential Emergency Powers to mobilise the national resources, and (3) state-directed housing policy. This study has focused on the routes of introduction of German statehood to South Korea ranging from (1) mediation of colonial rule of Japan, (2) American adaption of the German statehood, and (3) Park’s visit to West Germany of 1964. First, this thesis has argued that the heavy industrialisation under the Park’s dictatorship has its genealogy back to ‘Rich Nation, Strong Army (富国强兵)’ a credo of the Meiji Japan for the establishment of a self-reliant political economy against the West (Anglophone states and France). In the earlier part of the last century, the Meiji Japan had developed a totalitarian state-model from Prussian tutelages to formation of the Japanese imperial ideology in early era of the Meiji Reform.

In particular, I have shown that Japan’s imperial ideology was based on the ‘social monarchy’ coined by Lorenz von Stein in line with Hegel’s view on political philosophy for alleviating class conflicts in an industrialised society. Lorenz von Stein’s formulation had a formative influence on statehood, education, and the military of the Meiji Japan. He emphasised an unbiased role of ‘social monarch’ to prevent class conflicts in the new industrial society and any revolutionary movements posed by the proletariat. Stein’s teachings to Japan enhanced the Japanese Emperor as a head of the

nation state to play a role of 'social monarch' above society. Under the state architecture as designed under Stein's recommendation, the Japanese Army was placed between social monarch and civilian society free from civilian control, which provided Japanese Military with the autonomy from civilian control. This military autonomy from society became a seed of ascent of military-styled fascism in Japan. From their learning from the rise of militarism during the Weimar Germany Japanese military achieved the supremacy of the military in pretext of overcoming modernity imposed by the Western civilisation and liberating Asia from the Western imperialism. The ascendancy of the Japanese military was assured with the seizure of political power in response to the widening appreciation of the crisis of capitalism in the 1920s. The Japanese discourse on national identity was formed as a nation under the permanent crisis which consists of a 'lack of natural resources' and a security threat from strong neighbouring states'.

Second, this study has emphasised the ambivalent attitudes of US foreign policy makers towards the despotism and German statehood in South Korea due to their main focus of defeating Communism, which had been inspired by Max Weber's writings on Confucian civilisation and Karl Marx's stress on economic determinism. In response to the expanding sway of Communism in Asia, the USA policymakers thought that the Japanese fascism and the military might be effective for rapid build-up of buttress against the Communism. In spite of strong anti-Japan sentiments in South Korea, the USA foreign policy makers ultimately mobilised pro-Japan-Korean intellectuals and collaborators with the Imperial Japan. Moreover, the American policy makers concerned to Korean affairs regarded that the military and rural background of the Park's regime could form 'state autonomy' free from the influences of the traditional elites. The rise of militarism of South Korea evolves from an interim compromise of the USA to revive despotism for fighting against communism.

Finally, this study has shown how Park's direct experience of post-war economic growth in West Germany had informed the 'Miracle on the Rhein' along with his inspiration from Japanese colonialism. As this research has shown, American intervention to destroy Park's plan for heavy industrialisation forced Park and his coteries to gamble on turning to West Germany. Moreover, Park employed intellectuals who were immersed in ideologies of Japanese Imperialism in strong connection with Imperial ideologies of Prussian and Nazi statehood. They deployed the German

statehood was as their first-hand tutor to Korea, second-hand reference through German tutelage to Japan, and a smokescreen to avoid Park's cosy relation with Japan. The formation of the 'Miracle on the Rhein' was not systematic and rigorous with erratic accuracy in reference to German sources involving many fabricated stories and distorted interpretations. Fundamentally, the 'Miracle on the Rhein' was an accumulated product of improvisational post-counteraction with the aim of supporting Park's long aspired heavy industrialisation and overcoming his political crisis.

Theoretically, this research has criticised the limited accounts and empirical errors of the existing frameworks of 'neo-classical' and 'developmental state'. I have argued that the economic take-off in the 1960s and the subsequent rise of authoritarianism and heavy industrialisation in the 1970s during Park's regime should be understood in terms of a combination of a variety of perspectives. In face of facts that any single theoretical approach cannot fully explain the economic development of South Korea. This research came up with alternative models including (1) 'systemic vulnerability' and (2) the 'flying geese' as being Japanese-style regionalism. The 'systemic vulnerability' encompasses the simultaneous interplay of three separate constraints: (1) broad coalitional commitments, (2) scarce resource endowments, and (3) severe security threats. In order to overcome these impediments for political survival, the political elites should boost institutional performance for providing 'side payments' to popular sectors such as (1) 'the expansion of education and training infrastructure', (2) 'the reallocation of resources in ways that improve equality and access to power', and (3) 'public housing and welfare redistribution'.

Relying on the framework of 'systemic vulnerability', I have argued that the logic of Park's heavy industrialisation resulted from the impact of a variety of factors like (1) his urgent need for broadening the elite coalition, (2) the security threat coming from North Korea and the reduction of American military commitment to East Asia, (3) scarce natural resources of South Korea, and (4) the fiscal constraints imposed by Park's efforts for political survival when it came to providing side payments to the public. This research postulates that the capacity of state institutions for accumulating financial resources to industry and enhancing its efficiency is a critical nature of the developmental state.

Furthermore, the integration of the South Korean economy into international trade structure could be better explained by regional trickle-down effects in the 'Flying Geese' pattern under the Japanese economic regionalism. In the FG paradigm, East Asia states are positioned in 'a regional division of labour based on an industrial and locational hierarchy' along with the life cycles of various industries. The emergence of the FG pattern was a part of the American Cold War strategies. As the USA witnessed the increasing cost for providing economic aid to East Asia during the Cold War era, it wished to share burden of economic aid to South Korea by allowing Japan to play a role of regional leader. By joining the Japanese regionalism, South Korea could alleviate the burden of the USA and secure the influx of technology and investment from Japan for producing labour-intensive production to be exported to the USA. As Japan as a regional leader is migrating out of heavy industry, regional followers like South Korea and Taiwan could seize the time to deepen their industries. In terms of the domestic strategy, South Korea adopted the latecomer's strategy in Gerschenkron's sense. In this catch-up strategy, the state mobilizes all national resources to the targeted sectors while sacrificing private consumption and the mobility of capital. For these purposes, Park incorporated an authoritarian constitution in order to create an economic order that would facilitate rapid heavy industrialisation.

To account for the essential roles of the German elements that Park and his aides had picked up in Park's push for heavy industrialisation, this research has addressed three ways of 'side payments' to popular sector through topics of discussion from 'systemic vulnerability' such as: (1) educational reform for technical upgrading, (2) Presidential emergency measures, and (3) and state-directed home-owning policy

First, this research has addressed Park's proclamation of the Charter of National Education and its subsequent consequences. It was an interim measure for initiating the HCIP under dictatorship. Through the Charter of National Education, Park aimed to overcome the questions of Max Weber on societies trapped in the Confucian mind-set and backwardness in terms of modernisation and industrialisation. For this purpose, Park sought directly to instil Max Weber's ideas to students to overcome the legacies of Confucianism.

In South Korea, Weber's influence had contributed to eliminating the disdain of Confucianism thought on commercial activities and contributed to an increase in

enrolment of students on the science and technology tracks, which, on an institutional level, aided big business in the HCI sector. Park's promotion of science and technology was an attempt to apply the logic of Gerschenkron on late industrialisation to education. Park strengthened state control in the mobilisation of education and focused on the allocation of the nurtured skilled workforces to targeted industrial sectors. This policy had contributed to the industrialisation of South Korea in the 1970s and 1980s. However, the policy failed to mitigate the gap between administrative positions and that of skilled technical workers, which led to the failure of cooling down education zeal.

As to Fichte's impact on education, Park aimed to instil Fichte's narrative which has been falsified by Japan to students for justifying the *Yushin* dictatorship on the pretext of overcoming all exigencies. Moreover, the recognition of the state crisis by foreign invasion in Fichte's context had become established as a key political element for conservatism in South Korea. This epistemological manipulation of the external impact context could be utilised to stress nationalistic sentiment and to put defence expenditure in priority over the allocation of funds to welfare.

Subsequent to educational reform, this research addressed how Park used the Presidential emergency measures to broaden the elite coalition with *chaebols* and to provide 'side payments' through drastic cuts in direct taxes to the public. Park turned to dictatorship to overcome the lack of financial resources and the backwardness of late industrialisation in the context of overcoming Gerschenkron's dilemma. Park's use of the Presidential Emergency Power was effective in overcoming Gerschenkron's dilemma for mobilising financial resource to his targeted sectors. By doing so, Park could foster the Korean *chaebols* to perform the HCIP and form a strong alliance with capital. However, this alliance had definitely dismantled the 'state autonomy' from insulation of specific social groups, which galvanised mass militancy towards big business and Park's dictatorship. In response, Park reduced the income tax rate to mitigate democratic resistance to Park's formation of the state-capital relationship, which produced a distorted fiscal structure. Due to these policies, heavy reliance on indirect tax reliance produced a chronic fiscal constraint with increased mobility of capital in the private sector.

This research showed that the *Yushin* dictatorship was instrumental for Park's mobilisation of national resources to heavy industrialisation. Park mainly focused on the

allocation of human capital with technology and financial resources to private business conglomerates. However, Park failed to deal with the Kaldorian dilemma. The heavy industry sector consistently witnessed poor efficiency and productivity in the 1970s. To tackle this dilemma, Park imposed the burden of heavy industry to the light industry sector. He had to marginalize labour forces without technical skills mainly employed in light industry sectors by state violence of the dictatorship.

In the final analysis, this research explored showed how the German social democratic model was deployed in redistribution of national wealth through home owning. This research has clarified that the state-directed housing had contributed to providing massive urban accommodations with minimised fiscal cost while fostering a middle-class in possession of housing. In particular, this research articulated that the main composition of the middle-class depends more on the possession of assets than on occupation. Along with the state-*chaebol* nexus through the HCIP, the redistribution of real estate had determined the structure of the middle-class in South Korea. In terms of capital structure, the state had intervened into the mobility of capital through the banking sector. It played an instrumental role of banks in South Korea, in Gerschenkron's sense, in controlling capital mobility. The state depressed private sector consumption in compensation for providing state-developed housing to channel capital to the *chaebols* who account for the HCIP.

However, Park's policy had a countervailing impact on expanding welfare capitalism. The drastic tax cuts had caused the crowding out effect on domestic consumption and welfare expenditure. However, the promotion of housing policy played a role in trading off the demand for welfare by the middle-class. The middle-class in possession of housing had ambivalent attitudes. They opposed the authoritarian and military-styled ruling elites in political aspects but they became subjugated to support them in the sake of economic prosperity and interest if the proletariat class poses threat to their wealth. Hence, the homeowners had a strong obsession with maintaining the value of their homes. For them, a democratic government would adopt the expansion of welfare in response to the demands of the low-income class. Then the increase of income tax rates would become inevitable, which reduces the economic interests of homeowners. Hence, the new middle-class compromised to support the military dictatorship in compensation for the governmental protection of their properties

from the demands of more equal distribution of wealth by the working class. However, this mechanism generated inflation and substantial polarisation between the middle-class and the low-income class through property-redistribution. The ramifications had a peculiar impact on the political landscape of South Korea. The *chaebols* and the middle-class tend to compromise easily to support a conservative political party that could sustain the asset-values of the middle-class. In essence, they support continuous asset inflation and they reject the expansion of welfare expenditure. Political compromise between the *chaebols* and the middle-class for protection of their assets has become a stubborn foundation for the conservative political doctrine in South Korea.

As this research has documented, the USA policy goal was maintaining South Korea as a bulwark against Communism over promoting democracy in the 1950s. Furthermore, the USA wished to establish Japanese economic regionalism including the non-Communist East Asian states in the 1950s. However, the USA saw the rise of anti-Japan sentiments among the public and jingoism of Rhee's regime against Japan in the 1950s crush its plan for diplomatic normalization between Japan and Korea. Against this backdrop, Park's reception of the German statehood could be interpreted as a smokescreen to hide his plan for the integration of South Korea into Japanese economic regionalism. But this research has argued that the Park's promotion of Germany was more than a ruse to hide his emulation of Japanese political economy. As much part of the Japanese political economy originates from German model prior to 1945, the reception of German state into Korea was smoothly done during the Japanese colonial.

At first glance, the ascent of Park and his promotion of West German seemed contradictory to the American post-war policy in Korea. As to this, this research has explained that the American foreign policy in East Asia was not static to adhere to democracy. In priority, the USA wished to demolish the escalating influence of Communism in East Asia. But it regarded the premature promotion of democracy could put political stability of South Korea at peril. So the USA clandestinely was tempted to deploy the strong leader of authoritarianism. To achieve political stability in South Korea, it had to support Park because he was versed in Japanese Imperialism. But Park had to alleviate the strong anti-Japan sentiments and jingoism among the public to cover his background of the Japanese Imperialism. So his deployment of the Miracle on the Rhein was born out of epistemological trick to deny his connection to Japan.

The USA administration found it difficult to gain public and congressional support of its connivance of the military despotism in South Korea. Moreover, Park struggled with finding democratic support. Hence, Park's political position was scheduled to be vulnerable to democratic demand and ephemeral at the onset of his term in the early 1960s. To overcome his destiny, Park had to defer the democracy and to provide side payments to the public through performing outstanding economic growth.

Along with a role of device for the smokescreen to hide the Japanese influence, the German efforts to overcome its systemic vulnerability - lack of natural resources and security threat - really appealed to him because he came to learn that the geopolitical situation of South Korea is similar to Germany.

Hence, he accentuated the lack of natural resources and security threat from Communist states. There is no denying the lack of natural resources in South Korea. But South Korea can obtain access to global market of natural resources through its integration into global trade under American protection. Moreover, the Sino-American détente agreed by between Mao and Nixon had reduced the likelihood of military conflict in Korean peninsula. Park's claim that outbreak of emergency in South Korea in the 1970s does not get along with transformation of global political landscape.

But Park's use of the external 'security threats' galvanised successfully the trauma of the generation who experienced Korean War. It created the foundations for the dominance of conservatives and domestic stability. East Asian conservative elites could benefit from the conceptualised acceptance of continuous security crisis to maintain the 'technology-export' oriented political economies under dictatorship. For this purpose, Park and business elites made alliance to perform economic growth based on heavy industrialisation.

First step of the military-business nexus dealt with mobilising education for producing technical human talents. The conventional education system was aimed at the success in Confucian meritocracy and its compensation in a form of endowment of land tenure. Park relied on the Max Weber's critical writings on the Confucian civilisation to destroy prevailing democratic aspiration for social ascendancy through meritocratic education. By incorporation of new educational institutions, Park attempted to produce human talent equipped with technology. Park's policy witnessed the success in providing technical labour forces to the big business in heavy industry sector.

Park's focus on technology in education had exerted substantial influences. First, South Korea saw the polarisation of labour class depending on their technological skill. The technical labour forces were mainly employed by big business and heavy industry sector while less-talented labour forces worked in small and medium business and the light industry sector. During Park's pursuit of heavy industrialisation, the technical labour class had better opportunities to increase their wealth through their relatively higher wages and home-owning policy encouraged by government. Park's educational reform for technical upgrading initially aimed at destroying meritocratic compensation of land tenure in the traditional society. But paradoxically, Park's education ultimately came to be subjugated to economic compensation in form of home-owning and higher wages. Park's educational policy was successful in technical upgrading however it dented the autonomy of education to be swayed by demand from business and state. The polarisation of labour class has some impacts on distorting distribution of national wealth in context of Kaldorian dilemmas.

Carl Schmitt's espousal of dictatorship in a form of the Presidential Emergency Powers to address crisis was based on his concern about challenges of class antagonism posed by proletariat of the Weimar republic and inability of parliamentary system. Although Park's staff claimed that the situation of Seoul is similar to the Weimar crisis, Park's use of Presidential Emergency Powers had problems. Park's regimes was successful in oppressing labour class until the early 1970s and there was decreasing trend in militant threat due to normalisation of the Sino-American relation. So it is difficult to accept Park's claim that South Korea was confronted with crisis.

Without existence of real security threat, Park's incorporation of dictatorship and deployment of the Presidential Emergency Power in pretext of overcoming crisis mainly targeted at incorporating economic institutions rather than tackling the real security threat such as militant conflicts and invasions of external forces. Park's use of Schmittian measures had created unique structure of political economy regarding the state-capital relationship and lion share's fiscal resources. The state could exclude the role of parliament out of national fiscal affairs and alleviate the demand for expanding social welfare in compensation of low direct income tax. In spite of the roles in incorporating economic institution, it made it difficult for him to take the crisis in command and generated situation perilous to stability of Park's regime.

As the final analysis shows, Park's introduction of German social policy as to property formation has some significance in determining the structure in distribution of national wealth and political landscape. Outstanding economic growth and massive export under Park entail constant inflation, Hence, the possession of durable property like housing means more than a place for residence but a tool for increasing wealth. Hence, the state-directed housing and support to home-owning had created the rise of middle-class in possession of property. In contrast to occupation, the position of the middle-class depended on property-ownership. Let proletariat own property! Park's policy failed to let every labour class own its houses. However, considerable numbers of home-owning labour class could explain weakened solidarity of labour class and feeble trade union in their support of single conservative party to sustain the asset-values continuously.

Reception of German statehood to overcome the systemic vulnerability consisting of lack of natural resources and security threat had contributed to boosting South Korean industrialisation and defeating North Korea in their competition in the last century. South Korea is regarded as one economic powerhouse with technical capabilities in heavy industry. However, as my research provides, South Korea's economic growth mainly relied on violence of state in mobilising natural resources and oppressing the demand for higher wages from the labour class. Moreover, excessive reliance on export, excessive concentration of national wealth in real estate, and suppression of domestic consumption had failed to generate mature domestic market, and distorted political landscape impeding the development of health welfare system.

Although South Korea emulated German economy to overcome its systemic vulnerability, both two countries share common structural problems such as vulnerability to external economic shock due to heavy reliance on export and less-developed domestic market. Two countries still failed to overcome their ultimate weak points.

Finally, the political economy of South Korea stands somewhere in the middle of the path between Japan and China in the Flying Geese pattern. South Korea emulated Japan's industrialisation, which created common and similar features of social consequences. As the FG pattern originates from the massive export to the US market during the Cold War, it provokes future questions on the international political economy

in this region. The East Asian states with the largest populations in the world had been mainly reliant on the consumption market in the US. The combined population of Japan, South Korea and Taiwan is not larger than that of the US. But the rise of China's political economy as a state-led export-oriented economy in emulation of Japan and South Korea raises entirely different questions. Since the emergence of China into the global economy in the 1990s, China's economic growth has been following the statist-economic pattern in affinity to the trajectories of Japan and South Korea. In the US market, China has taken the market shares of labour-intensive products from Japan and South Korea. China has witnessed an accumulation of national wealth from the export of manufactured goods based on their abundant labour forces to the American market.

Will China follow the same strategy and pattern of heavy industrialisation as Japan and South Korea? If China launches heavy industrialisation, how will the forerunners like Japan and South Korea respond to the redundancy of their heavy industry markets? Domestically, will China also follow the pattern of asset-distribution politics through promoting home-ownership like South Korea?

While China was undergoing outstanding economic growth, both Japan and South Korea encountered economic recessions in the 1990s as their techno-fascist economic models collided with globalisation. Japan as the leader of the FG has lost two decades of economic growth since the end of the Cold War. While Japan was struggling with economic depression, South Korean business caught up with Japanese industries in heavy and chemical industries. However, the economic growth of South Korea is decelerating. With a vacancy of another model after the end of authoritarianism, further research on Park's political economy should be explored to understand the future of China's path and the response of the forerunners.

This research contributes to the growing body of academic research on Park by attempting to understand Park's dictatorship to overcome the theoretical limits of neo-classical framework and Weberian 'state autonomy' of developmental state in existing literature. My research tracks the unexplored and complicated route of German influence on Korea through Japan by pinpointing the German state model that underpins the rise of authoritarianism in South Korea. It goes further than most of the existing descriptive body of scholarship because of the critical and empirical analysis and cross-checking with reliable references of primary sources of Park and his key aides. For

historical analysis, my research provides valuable accounts on the unexplored historical process by which the reception of Germany in Korea constituted conservative socio-political elements in South Korean society. By doing so, it gives insight to how and why South Korea emulated Germany in the last century. Furthermore, it divulges the ambivalence of US foreign policy in response to the rise of military-fascism in South Korea. As to the theoretical analysis, my research deploys a framework for understanding the role of authoritarianism to overcome the 'systemic vulnerability' in three topics where German doctrines were deployed to underpin Park's heavy industrialisation. By doing so, my research alleviates the academic tendency to outline Park's era with historical descriptions.

In spite of my contributions, this research is limited in some aspects. First, as to the introduction of German statehood through the Japanese colonial refraction, the exploration of this issue is still limited due to constraint of finance and my concern on scope of research. Second, I am unable to validate many primary sources on Park and his staff. Third, my reliance of the American archival materials aimed to guarantee the credibility of references on Park, However, it is limited to diplomatic issues and validation of the American sources is limited and open to fallacy.

However, my research provides new insights for further research. Although East Asian states were free from being colonised by western civilisation. There were considerable role of Germany in this area in its turbulent history of the last century. First, along with German influence on Park in the 1970s, much about German tutelage to Japan and Korea in the earlier part of the last century are still less known. Moreover, Chinese Civil War in the 1920a and 1930s, political leader like Mao and Chiang of both camps were heavily influenced by German advisors as to modernization of their military and industry. The German impact at that time on East Asia had a formative influence on modernization of East Asia but still pending further comparative and interdisciplinary research.

Appendix

Brief personal profiles of President Park Chung Hee (1961-1979)

Year

- 1917 • Born on 14 November 1917 in Sangmo-ri, Kumi-myon, Sönsan county, North Kyöngsang.
- 1935 • March Graduated from Taegu Teacher's College and was appointed as a teacher at Mungyöng Primary School, Mungyöng, Kyöngsang pukdo (North Kyöngsang province), South Korea.
 - Park married Kim Ho-nan at the demand of his father.
- 1940 • Park entered the Manchukuo Military Academy, Xinjing, Manchuria after resigning from teacher's position.
- 1942 • Transferred to the Japanese Imperial Military Academy, Tokyo, Japan.
- 1944 • Graduated from the Japanese Imperial Military Academy and was assigned as Second Lieutenant to the 8th Corps, the Japanese Kwantung Army, Manchuria.
- 1946 • Enrolled in the Second Class of the Korean Constabulary Officers' Training School - which later became the Korean Military Academy.
 - Park, Sang-hee, an elderly brother of Park Chung Hee was killed in an communist-led uprising against the American military government on 6 October, which led Park Chung Hee to join the South Korean Workers' Party (Communist Party in South Korea).
- 1948 • Arrested in Seoul for his role in the communist activities during Yösu-Sunchön Military Rebellion and shortly after sentenced to life imprisonment
- 1949 • Discharged from the army – National Special Order no. 34. (However, continued to work, albeit unofficially and unpaid, in the Operations and Intelligence Unit at Army Headquarters.
- 1950 • Reinstated to the Army at the outbreak of the Korean War on 30

- June.
- 1950 • Married with Yuk, Yöngsu after divorcing his first wife on 1 November.
 - 1954 • Trained at the United States Artillery School in Fort Sill, Oklahoma.
 - 1956 • Entered the 11th Class of the Staff College of the ROK Army, Chinhæ, South Kyöngsang Province.
 - 1961 • Promoted to Major-General on 20 February.
 - Led a military coup.
 - Emerged as Deputy Chairman of the Military Revolutionary Committee which shortly after changed its title to Supreme Council for National Reconstruction.
 - Visited the United States 13-25 December.
 - 1963 • Park was elected President on 15 October.
 - 1964 • Park visited West Germany to borrow foreign investment
 - Capital 6-15 December
 - 1965 • Park visited US President Lyndon B. Johnson on 16-27 May.
 - The Korea-Japan normalisation treaty was signed in Tokyo on 22 June.
 - The Korea-Japan normalisation treaty was ratified by the National Assembly on 14 August.
 - 1967 • Park won his second presidential term on 3 May.
 - 1968 • A 31-member North Korean commando unit infiltrated Seoul in an attempt to assassinate President Park at the Blue House on 21 January.
 - US spy ship, Pueblo, was captured by North Korean navy ships off Wonsan on 22 January.
 - Park attended a special ceremony to start the construction of the expressway between Seoul and Pusan, which subsequently opened on 7 July 1970.
 - Park declared the National Charter of Education on 5 December.
 - 1969 • Park visited the United States and met with President Nixon in San

Francisco 20-25 August.

- 1971
 - Park was re-elected for a third four-year term on 27 April.
 - Park appointed O, Wŏn chŏl, as his Senior Economic Secretary responsible for defence industry development and heavy and chemical industry development on 10 November.
 - Park declared a state of national emergency on 6 December.
- 1972
 - Park declared martial law, suspending the provisions of the constitution, dissolving the National Assembly, and banning all political activities on 17 October.
 - Park introduced the ‘Yushin Constitution’ under martial law on 21 November.
 - Park was elected to a six-year term as President on 23 December.
- 1973
 - Park declared the government’s Heavy and Chemical Industrialisation
 - Policy with an aim of achieving \$10 billion in export earnings and per capita GNP of \$1,000 by the early 1980s on 12 January on 12 January.
 - Kim Dae Jung, leader of the opposition party, was kidnapped in Tokyo and on 13 August reappeared at his home in Seoul on 8 August.
- 1974
 - Park issued Emergency Measures No. 1 and 2, which banned criticism of the new Yusin constitution on 8 January.
 - Park’s wife, Yuk Yŏngsu, was killed in an assassination attempt on Park at the 29th anniversary of national independence ceremony held at the National Theatre on 15 August.
- 1979
 - Park was assassinated by Kim, Chaegyu, Director of the KCIA on 26 October.

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