## COLONIAL LEGACY AND MODERN ECONOMIC GROWTH IN KOREA: A CRITICAL EXAMINATION OF THEIR RELATIONSHIPS

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This paper examines the relationship between colonial experience and subsequent economic development in Korea by closely looking at the process of economic growth during the 1960s, when the Korean economy began to grow rapidly. Five aspects of colonial legacy are usually identified as responsible for the take-off: an infrastructure of communications and transportation, an industrial base, the strong state, accumulation of high-quality human capital, and nationalism. However, most of the material capital inherited from colonization had been destroyed by the Korean War, or not fully functional due to lack of operating personnel and to the division of the country into the North and the South. The remaining are indeed regarded as major factors for rapid economic growth by many students of Korean development, but are only marginally related to the colonial experience. In addition to these factors, the favorable international environment since World War II and Confucian values were crucial for the growth of Korea's export-oriented economy. Thus, if the Japanese colonial legacy had anything to do with the economic growth of modern Korea, it was "construction by destruction" or "contribution by negation."

Key Words: Colonial Legacy, Economic Development, Developmental State, Nationalism

### INTRODUCTION

Recent economic growth in Korea has been examined extensively by students of development, as it represents an exceptional case of late development. It is exceptional as Korea is one of the few non-Western, ex-colonial countries that have achieved successful economic development since World War II. The search for clues for Korea's economic success, as well as for those for other members of the newly industrializing countries in East Asia, has yielded diverse theories and approaches. These theories and approaches have suggested, as determinants for development, such factors as human capital, the developmental state, and Confucian culture.

However, initial enthusiasm in finding single factors that could explain the development experiences of the so-called four little dragons (Korea, Taiwan, Singapore and Hong Kong) has waned, due to the realization that not only do the four countries differ dramatically in their developmental processes, but also that more complex mechanisms than a few sets of variables are involved in development. Thus, some have turned to historical approaches in their efforts to account for the Asian economic miracle. They have especially focused on the colonial past in the Korean case, because it seems to be during the colonial period that many of the modern institutions were established, and that industrialization first began in Korean history. Due to the distinct nature of colonial modernity, however, the effects of the colonial legacy on subsequent development after liberation have been a moot point among scholars. More nationalistic Korean scholars are prone to reject the thesis by pointing to the contradictory and exploitative nature of colonial modernity. In contrast, more empirically oriented researchers, many of whom are foreign experts on Korean history, tend to argue for the positive effects of colonial legacy, by analyzing statistical data on colonial industrialization.

This paper examines the controversy surrounding the colonial origin of recent economic development in Korea. Since modern economic growth began in earnest from the early 1960s, when the Park Chung Hee regime first launched a series of ambitious economic development plans, the first section of this study focuses on the process of economic growth in that decade, and tries to determine whether economic growth indeed originated during the colonial period. In order to test the thesis that the Japanese colonial legacy provided the basis for Korea's late industrialization, I will examine the works that deal with the colonial period in the second section, and theories and explanations for Korean economic growth since the 1960s in the third section. In the fourth section, I will compare the two groups of works and closely investigate each of the factors that are considered by them in order to evaluate the colonial legacy thesis. Finally, conclusions are presented in the last section.

### COLONIALISM AND DEVELOPMENT

It is usually the case that colonial powers promote changes in colonial societies, but within very specific limits. Changes introduced by the colonial powers are generally confined to administrative and technical areas, rather than deeper levels of social and cultural spheres, and are focused on the central institutions of the society without parallel changes at the local level. In the economic field, a market-oriented economy and certain limited types of industries are encouraged to develop in order to facilitate the production of those products which the imperial economy could use. In order not to disturb the existing social order, however, they are expected to operate with-

out full development of new economic motivations or full participation of the local population. In addition to these, the modern colonial economy's unequal ties to the metropolis' economy usually result in distortion of the former, which in turn have detrimental effects on its subsequent economic development after independence (Eisenstadt, 1966: 110-111).

This general picture of a colonial economy was adopted by many Korean economic historians and social scientists, in approaching the colonial period in Korean history. Most of them examine Korea's colonial experience from a nationalistic perspective, and draw a conclusion similar to the above. These scholars can broadly be divided into two distinct camps: the so-called "sprout" school and those who deny both the "sprout" thesis and the colonial origin of capitalist development in Korea. The basic idea of the sprout (maenga) school is that the seeds of capitalism were evident in the late Choson dynasty that had sprouted and could have grown in full if there was no outside interruption. According to this theory, both the rise of rich, managerial farmers, who hired wage-laborers in their commercial farming and produced agricultural commodities to sell in the market, and increasing commercialization in the 17<sup>th</sup> and 18<sup>th</sup> centuries, were signs of nascent capitalism in Korea. Thus, the Japanese colonial period should not only be rejected as the origin of Korean capitalism, but should also be treated as distorting and obstructing the process of capitalist development.<sup>1</sup>

Theorists within the nationalistic camp are critical of the sprout school. For example, Cho Kijun (1973) suggests that Korean capitalism began to develop in earnest after liberation from Japanese colonial rule, rejecting both the sprout theory and the positive effect of colonialism. He points out that the colonial economy was a dual economy that depended on the Japanese economy in terms of capital and technology, so that it ceased to produce when Japan withdrew from Korea in 1945. He also notes that the division of Korea into the North and the South disintegrated the industrial system and severely hampered its production capacity. As a result, the Korean economy had to start afresh after Korean independence, due to the unfavorable colonial legacy.

These studies, however, tend either to pay little attention to statistical data or to not place much confidence in empirical data. Thus, scholars who are more empirically oriented may suggest contradictory interpretations to those of nationalistic authors. Suh Sang-chul (1978) is one of the early Korean economists who seriously examined empirical data, and attempted to limit their arguments strictly within the purview of available data. Based

<sup>&</sup>lt;sup>1</sup> Earlier representatives of this school include Kim (1971) and Kang, M-G (1973).

on economic growth theory, he argues that the Korean economy under Japanese colonial rule was marked by real growth of commodity production per capita, industrialization accompanied by urbanization in the 1930s, rapid and substantial change of the economic structure, and remarkable expansion of foreign trade. He also points out that some concomitants of pre-war economic growth, such as modern facilities and institutions including transportation and communications facilities, a modern banking and monetary system, modern factories, education and administrative facilities, and various survey data in relation to development of the potential of the Korean economy, were transferred to post-colonial Korea. However, by indicating that colonial development failed to create such dynamic factors as human elements, social values and organizational frameworks for further economic development, he concludes that the colonial development produced both conducive and detrimental factors for postwar economic growth (Suh, 1978: 154-156).

Beginning in the early 1980s, studies have appeared that challenge the nationalists' simplistic arguments, and instead insist on the interlocking relationships between colonialism and modernity. There are roughly two groups of researchers in this revisionist camp. A group consists of Western, mostly American, experts on Korean history, and the other group consists of Korean and Japanese economists and economic historians who have collaborated in a research project since the late 1980s.

It is interesting to note that most Western scholars studying modern Korean history and/or development are almost unanimous in emphasizing the role of Japanese colonial legacy in Korea's later economic development, and dismissing the thesis of the "sprout" school as not being supported by sufficient evidence. For instance, Mason and his collaborators (1980: 75) state: "Japanese colonial rule cannot be seen as an unrelieved disaster. ... [It] laid some of the key foundations for Korea's later entrance into modern economic growth." Cumings (1984: 481) also argues that "the colonial period played an undeniable role in placing Korea above most Third World nations by 1945. ... Korea's capitalist revolution began — and got a long running start — during the colonial period." Similarly, Eckert (1991) criticizes the "sprout" thesis, by indicating that there is simply not enough evidence for it. He points out that the level of commercialization toward the end of the late Choson dynasty, one of the key sprouts of capitalism that nationalist theorists support, was not comparable to that seen in Tokugawa, Japan, and that the existence of private artisans and hired labor cannot be regarded as evidence of capitalist development, because "capitalism as an economic system cannot be separated from industrialization (Eckert, 1991: 4)." In short,

according to Eckert, modern industrial technology in Korea was not invented, but imported first through Japan during the colonial period.

In arguing for the positive role of Japanese colonialism in the colony's capitalist development, these Western scholars stress the distinct characteristics of Japanese imperialism that could differentiate the Korean colonial experience from others, say, those of African colonies by European imperialists. Cumings (1984: 482) points to four of these differences: "it was late in world time; it involved the colonization of contiguous territory; it involved the location of industry and an infrastructure of communications and transportation in the colonies, bringing industry to the labor and raw materials rather than vice versa; finally it was accomplished by a country that always saw itself as disadvantaged and threatened by more advanced countries." According to Cumings, the consequences of this distinctive imperialism for its colonies, especially Korea, are manifold and significant. The territorial contiguity made possible a tight linkage between the metropolis and the colonial territories, to which Japan responded quickly with construction of an extensive network of railroads, opening of ports and heavy investments in communication sectors. In addition to these, a strong, centralized state with a highly articulate and disciplined bureaucracy replaced the weak government of the late Choson kingdom, and old institutions such as the subsistence agrarian economy and Confucian education were substituted by the market economy and modern, Western-style education. Japanese imperialism also brought stable currency, credit and banking facilities, uniform weights and measures, and the rule of law to the colony, which provided a basis for commercial and industrial activity (Cumings, 1984).

These economic and social changes from Japanese colonialism not only put an end to most of the traditional institutions of Korean society, but also laid the basis for the development of Korean capitalism, according to the Western scholars of modern Korean history. In terms of the effect of the colonial experience on Korea's economic growth since the early 1960s, they seem to indicate four strands of colonial legacy. First and most important is the extent of industrialization, which was expanded dramatically and rapidly in the 1930s, after the Japanese engagement in war with China. During WWII, Japanese imperialism transformed Korea into a supply base for food and war materials. Along with the development of an infrastructure of modern transportation and communications facilities, Japan located not only such light industries as textile, but also various heavy industries including steel, chemicals, and hydro-electric power, which were estimated to be about a quarter of Japan's industrial base by 1945 (Cumings, 1984: 487).

Second, as Eckert's study on the origin of one of Korea's leading entrepreneurial families indicates, Japanese colonialism nurtured a small, native capitalist class in colonial Korea, which has actively participated in Korea's late industrialization process after its liberation. According to Eckert (1991: 254), about 60 percent of the founders of Korea's top fifty chaebols had some colonial experience. They were mostly from the landed class, and the Japanese colonial power saw it useful to keep them intact in order to extract rice and to keep the countryside stable. However, they were encouraged to enter into business activities such as publishing and education, as a result of the so-called cultural rule that the colonial government replaced from the previous repressive rule. Koreans were largely excluded from modernizing activities, despite heavy industrialization and development of such modern institutions as the elaborate administrative bureaucracy and educational facilities. Thus, one estimate shows that more than 90 percent of capital in the major enterprises had Japanese owners (Cumings, 1984: 489). Still, a significant number of capitalists, along with a new urban intelligentsia, a small group of white-collar managers and technicians, and a modern labor force emerged during the colonial period.

Third, colonial industrialization provided a model of successful capitalist growth. The model shares, with the Japanese archetype, such elements as the central economic function of the state, the concentration of economic power in the hands of a few major corporations (chaebol), the export-oriented economy, and the threat or actuality of war as a stimulus for economic growth. There are, of course, differences between the original Japanese model and the Korean model in other respects. However, according to Eckert (1991: 255-256), two aspects of the model are important in terms of the role of colonial legacy in Korea's later economic growth. One aspect is the predominance of the state in economic affairs, and the other aspect is a considerable dependence of Korean capitalists on their Japanese counterparts. These are evidently present and are regarded as important in the Korean pattern of capitalist development.

A fourth aspect of colonial legacy is a political dark side, that is, the bourgeoisie in league with the forces of authoritarianism. The capitalist class during the colonial period developed in close collaboration with the colonial dictatorship, and was conditioned to working within an authoritarian political framework. Since the bourgeoisie were politically unstable due to their lack of nationalist credentials, they had to rely on the oppressive power of the colonial government. This situation was replicated after 1945 (Eckert, 1991: 257-258). Until very recently, Korea's major corporations had been under the close control of, and flourishing in close cooperation with, the authoritarian government.

Along with these Western scholars, a group of Korean and Japanese economic historians and social scientists joined forces to provide an alternative explanation to the nationalistic theory of the immanent momentum of capitalist development in traditional Korean society. In the latter half of the 1980s, they initiated a project called "a historical study on Korean economic development." Their research interests were mostly concentrated on the intensive wartime industrial growth in colonial Korea. They analyzed the 1930 and 1940 censuses and other statistical data using sophisticated research methods. Their research was based on two fundamental assumptions. First, the Japanese colonial exploitation of Korea was not a simple plunder, but exploitation through development. A general tendency among some scholars to underestimate the developmental aspect of Japanese colonialism and to overestimate its exploitative aspect tends to ignore the fact that capitalism was indeed developed by Japanese capital in colonial Korea, and that modern classes were formed among the Korean population. Second, Korean national capital that was considered by nationalistic scholars to have sprung from inside Korean society was in fact neither autogenous, nor always antagonistic toward Japanese capital. Korean capital during the colonial period was transplanted capital under the influence of Japanese capitalism, and survived and developed with a complicated relationship with the latter (An, 1993: iv). From their research, these scholars found that colonial industrial growth during the 1930s and the early 1940s brought about an extensive range of structural changes that transformed the traditional agrarian society into a dependent and yet developing urban society and capitalist economy. The changes that occurred during this period include: "(1) the penetration of society by capital; (2) the rapid change in the occupational structure of the society; (3) the large-scale migration of peasant farmers into urban areas; (4) rapid urbanization; (5) a substantial increase in the number of male industrial workers; (6) an increase in the number of small- and medium-scale Korean capitalists and entrepreneurs (Park, S-W, 1999: 131)."

Responses to these revisionist studies by nationalist scholars are characteristically negative. One of their criticisms is that these studies focus only on quantitative aspects of the colonial economy, ignoring issues of national identity and autonomy. Another criticism is against their supposed overemphasis on the role of Japanese imperialism on colonial capitalist development, while underestimating native capital (Chung, J-J, 1996: 81-82). These nationalist and progressive Korean social scientists do not seem to dispute the very existence of colonial capitalism, colonial modernity and colonial industrialization. What they disagree on are their characteristics, motives, processes and consequences. Thus, for instance, Kim and Chung (1997) look at colonial education not so much as an enlightening medium, but as a means to transform the colonial population into the imperial subject that could be mobilized without much coercion, by inculcating them with modern discipline. The consequence of colonization on nationalism has also been a frequent topic for these scholars. For instance, Park (1996) argues that Japanese colonization affected Korean nationalism in two ways. First, it served to unite the two strands of nationalism into one that sought modernization, discarding the other line that tried to preserve traditions. Second, nationalism, which was first discussed mostly by the elite, was now widely spread into the general public. From a different perspective, Robinson (1988) analyzes nationalism developed after 1910, and that Japanese colonial policies had much to do with the split among nationalist leaders.

In this vein, Chung Tae-Hun (1996: 250) redefines the characteristics of colonial modernization as follows. First, colonial capitalism is a form of transplanted capitalism that is the most efficient exploitation system, carrying with it physical violence. Second, reason and rationality replaced the pre-modern, non-scientific, and irrational system of thought in the colony, in order to effectively mobilize people needed to implement colonial policies. Third, the establishment of a modern nation state that is the basis for citizenship and for capital accumulation was curtailed by the colonial government. Fourth, the opportunity to develop democracy, the most important value to realize modernity, was lost by the authoritarian dictatorship of Japanese imperialism.

One of the implications of the debate among these diverse schools is "the intrinsic, non-monolithic nature of the colonial industrial growth, its diverse impacts on social differentiation and fragmentation, and the colonial modification of modernization (Park, S-W, 1999: 131)." This theme of a unique colonial modernity has also been a major topic that was explored during the past decade by a group of students of Korean history and development, who attempt to escape the trap between nationalistic bias and the illusion of positive colonial modernization. They view the relationships between nationalism, modernity and colonialism as mutually reinforcing. They also put forward several revisionist theses regarding tripartite relations in the Korean context: the colony-metropolitan relationship is not a zero-sum game; Korean reception of modernity was mediated by a complicated filtering mechanism, that is, colonialism; and the uneven spread of colonial modernity created a potential for constructing diverse and competing forms

of identity within a complex field of cultural hegemony. They also posit that economic growth, infrastructure development, education, and the creation of human capital and institution building should not be dismissed as byproducts of Japanese exploitation (Shin and Robinson, 1999). Others focus on specific areas or topics such as legality (Lee, 1999), the status of women (Choi, 1999), broadcasting (Robinson, 1999) and communications (Yang, 1999) during the colonial period.

These recent studies render more balanced analyses of the colonial experience, and attempt to provide subtler interpretations of colonial modernity. Thus, they may be more helpful than most other studies reviewed here in answering the question of colonial development and its impact on subsequent economic growth in the late 20th century. However, it is not until there is an equally balanced and careful analysis of the process of economic growth that we can possibly answer the latter question of the modern effects of colonialism. Equally important is a critical study of the period between the end of the colonial period in 1945, and the early 1960s, when the Korean economy took off for sustained and rapid economic growth. Unfortunately, socioeconomic research on this 15 year gap is lacking, seriously undermining our understanding of the relationship between colonial legacy and the growth experience (Park, S-W, 1999: 159; An, 1993: v). In the following sections, I will try to identify major factors responsible for the initial economic take-off in the 1960s, and to evaluate their possible connections with colonial modernity. In the next section, I will first consider the period between 1945 and 1960.

# ECONOMIC GROWTH IN THE 1960S AND SOME THEORETICAL EXPLANATIONS

The period between 1945 and 1962 has been one of the most eventful in Korean history. Japan's surrender to the Allied forces in 1945 liberated Korea from the 35- year colonial rule. However, it also meant the division of Korea into the U.S.-occupied South and the Soviet Union-occupied North. South Korea had undergone three years of U.S. military rule before the establishment of a modern, independent state. In terms of the economy, the independent Korea lost its major export market, Japan, and the division of the country separated the national economy into light industry and rice in the South, and heavy industry and energy sources in the North. The military government implemented various reform measures to liquidate the colonial legacy and to build an independent national economy. Ironically, it had to rely on those who had experience in colonial government for its administration and policy implementation. Among the policies, land reform had the farthest-reaching consequences on Korean society, although it was far from complete because of resistance from the old landlord class, foreign influence and the Korean War. Also, an effective national education system was created in this period (Michell, 1988).

The U.S. military government handed over its political power to an elected, domestic government in 1948, ending the three-year military rule and establishing a first modern national state in Korea. Thus, two ideologically opposite regimes in the Korean peninsula, the communist in the north and the liberal democratic in the South, were created, and fierce antagonism and conflicts between them have ensued since then. In 1950, the Korean War broke out and lasted 3 years, which devastated the whole Korea. The war not only destroyed most of the pre-1950 capital investment, but also provided the momentum for the U.S. and other Allies to provide heavy economic aid to South Korea. The total value of foreign aid between 1953 and 1961 amounted to 64 percent of the annual total investment in Korea (Lee, Jong-Won, 2002: 93). The presence of U.S. troops in South Korea ever since has been a major guarantor of the country's security. The War also helped to unite social classes, and produced "the will to develop" in the early 1960s. Evidence of this will was a rise in the demand for education. As a consequence, the illiteracy rate was greatly reduced from 78 percent in 1945 to 27.9 percent by 1960 (Michell, 1988: 11).

Politically, however, the period was turbulent. The first few years of modern Korean politics were marked by the division of politicians into nationalist exiles and those who remained home and collaborated with the Japanese imperial power, and by the ideological conflict between the liberal democrats and the communists. However, the Korean War helped to unite divided politicians and to settle each ideology within each of the two separate territorial entities. In the South, an anti-communist regime could consolidate its political power and establish a dictatorial government. The corrupt and incompetent Rhee Syng Man regime, which ruled the first modern Korea<sup>2</sup> for more than 10 years, was finally put down in 1960 by popular uprisings, especially by violent student demonstrations. An opposition party led by Chang Myun won in a general election after the fall of the Rhee regime, and Chang became a premier. However, within a year a military coup broke out and an army general, Park Chung Hee took over the government. As a way of securing legitimacy for its military regime, the Park Government committed itself to national economic development, which resulted in remarkable

<sup>&</sup>lt;sup>2</sup> From now on, Korea denotes South Korea only, unless indicated otherwise.

economic growth, with an average GNP growth rate of nearly 9 percent for the decade of the 1960s. National economic development must have started almost from scratch. The per capita income in 1960 was a mere 82 dollars, comparable with that of Japan in 1868. The industry's share in the GNP and the labor force corresponded to that of Japan in 1900 and of England in 1700 (Michell, 1988: 11). The Park government initiated a series of five-year economic development plans beginning in 1962, with a major economic policy shifting from the import-substitute to the export-oriented strategy in the early 1960s. The result is a remarkable success story recounted many times by both domestic and foreign scholars. Thus, only a cursory overview of the process will be sufficient.

The gross national product grew on the average by 8-9 percent per annum during the period from 1965 to 1990. The high economic growth rate can mainly be attributed to rapid industrialization and expansion of foreign trade. The once predominantly agrarian society had been transformed into an industrial society in a decade, and then into an information society in less than four decades. The proportion of secondary industry in the national product outweighed that of primary industry for the first time in 1973. Initially, the industrial sector was dominated by light industries, but heavy and chemical industries soon began to take over and weighed more than half of the industrial sector in the mid 1970s. The growth of export has been no less remarkable. South Korea exported goods and services worth a little more than 30 million dollars in 1960, but the total value of exports reached the 10 billion dollar mark in 1971, and 100 billion dollars in 1995.

How can one explain this unprecedented economic growth achieved in such a short period of time by a country that was a colony only fifteen years before the take-off? Along with Taiwan, Hong Kong and Singapore, Korea constitutes the so-called four little dragons in Asia, and has been examined intensively in a number of studies. These studies have produced a plethora of theories, explanations, and factors, but we may group these theories and explanations into three broad approaches, that is, economic, political economy, and cultural. Each of these approaches includes several specific theories: growth theory and neo-classical economic theory within the economic approach; dependency/world-system theory, the developmental state theory and the holistic-structural theory within the political-economy approach; and modified modernization theory and Confucian values theory within the cultural approach. In the following section, I will briefly review each of these approaches before attempting to extract a common set of factors for Korean development.

Growth theory is a supply-side economic theory that applies the standard

economic theory of production to economic growth. According to this theory, an increase in at least one of the production functions, that is, capital, labor and technology, will make the economy grow. Thus, many economists who specialize in economic growth attribute the Korean case of growth to high-quality human capital and technological advancement, among other factors. Specifically, they emphasize an abundant supply of well-disciplined, well-educated and low-cost labor, and the competent and entrepreneurial bourgeois class, in addition to the active intervention of the government in the economy (Lee, J-W, 2002: 166; Amsden, 1989; Park, T-K, 1999). However, since this theory tends to ignore most non-economic factors, few social scientists seem to subscribe to it.

The neo-classical economic theory explains the East Asian economic success in terms of the theory of comparative advantage. According to this theory, the export-oriented development strategy of these countries is chiefly responsible for their economic achievement, because they have comparative advantages in the factors for export economy. This liberal economic theory is based on the dynamics of the free market, and joins growth theory in neglecting other than economic factors, such as political, social and cultural ones.

Dependency/world system theory is basically a theory of underdevelopment, emphasizing the exploitative nature of the economic relations between core and peripheral countries, and is thus unable to explain such peripheral development as that of the four little East Asian dragons. A modified version does explain the so-called dependent development, utilizing such concepts as the triple alliance among the state, the local bourgeois, and transnational capital (Evans, 1979; Lim and Yang, 1987). However, dependent development is a limited development, and cannot anticipate such a prolonged experience of high economic growth as that of the East Asian countries. Still, the theory provides important insights, such as the dynamics of the world capitalist system and of class relations, while neglecting other social and cultural factors.

In many ways, the East Asian development experience is quite distinct from those of the West, due to the huge gap between them in terms of historical, structural and cultural aspects. As a consequence, there have been efforts to reflect these aspects in the analysis of East Asian development. Depending on the emphasis, the efforts are divided broadly into the institutional and the cultural approaches. The most popular example of the institutional approach is developmental state theory. It is a political economy approach, stressing the role of the state in economic development. At the core of the theory lies the assertion that the market in less-developed coun-

tries cannot develop spontaneously, as classical economic theory might assume, but requires the active and efficient intervention of the state in the economy (Johnson, 1987). However, not all state intervention produces successful growth of the market; only the developmental state, as contrasted to the predator state, can produce economic growth. Successful state intervention in the market requires the autonomy of the state from social forces, in order to be able to plan and implement longer-term economic policies. Class conditions, such as "breakdown of the landlord class, weakening of opposition movements, and hegemonization of modernization projects and developmental alliances" made state autonomy possible in South Korea (Cho and Kim, 1998: 154). Thus, the developmental state has played an active role not only in capital accumulation and investment distribution, but also in controlling finance, the market, taxation and prices, and in effectively regulating the relationship between the domestic industry and the international economy (Lim, 1998: 59). However, developmental state theory seems to forget the simple fact that the state does not produce. The production organization, whose main actors are the bourgeois and labor, actually produces commodities. It must also be noted that the market affects production in many critical ways.

In this regard, Shin (1998) proposes a holistic and structural theory that considers not only the role of the developmental state, but also the organization of production, market and dynamics of international political economy, in explaining the growth experiences of the East Asian countries. According to the theory, these factors for the East Asian development are distinct in many ways. The states have autocratic power and intervene with the economy by establishing centralized economic policy making organizations, by managing investment by controlling the flow of money, by initiating exportoriented industrialization, and by maintaining a good business climate. Strategic firms supported by the state may be characterized as soft, budgetconstrained firms, the concept borrowed from Kornai, and the labor-management relations in these countries are despotic. Another characteristic of the East Asian economies is their dependence on Japanese technology and on the U.S. market. In terms of international political economy, U.S. aid, the Korean War and the Vietnam War contributed greatly to the economic growth by providing necessary capital, and the Cold War made the American market accessible to these newly industrializing countries. Finally, authoritarian regimes in these countries created a best business climate for foreign, especially Japanese and American investors, by their repressive labor policies, and cheap and abundant labor.

However these political-economic theories cannot sufficiently answer

such critical questions as: Why have only certain East Asian countries among the many with strong states and intervention policies succeeded in economic development?; Why did the labor work hard and not protest against harsh treatment by both the state and management?; Why did major corporations comply with the one-sided policies of the authoritarian government?; Why did the general population not strongly demand civil rights which were suppressed severely? Thus, some researchers have turned to the cultural aspect in their search for crucial factors that could help to explain the uniqueness of the East Asian experience of economic growth, beyond the political economy interpretation of the developmental state theory.

Modernization theory, once immensely popular, is now almost defunct, except for a few attempts to revive it in a modified form. One of the few efforts is a modified modernization theory suggested by Kyong-Dong Kim (1994), who argues that modernization is basically an international acculturation process, shaped by the interplay of internal and external forces in the global context. According to him, it is mainly the effort to adapt to the changing global environment on the part of developing countries. In the case of capitalist development experienced by the East Asian countries, he identifies five common factors: 1) the favorable global condition; 2) a strong nationalism in the face of external threats; 3) an unusually strong psychological motive instigated by the sense of security; 4) the strong control of internal stability by the state; and 5) extraordinary entrepreneurship in the private sector (Kim, 1994). He particularly emphasizes the impact of western modernization and a form of extremely strong nationalism that have provided the impetus for changes in this region.

Cultural explanations of economic growth have a long history, beginning with Weber's classic thesis of "the Protestant ethic and the spirit of capitalism." In the Asian context, it first applied to Japan's development by such scholars as Bellah (1957), and Kahn (1970). Roderick McFarquhar (1980) probably first explored the role of the so-called "Asian values" in the process of economic development of the four little dragons in East Asia.

In the context of East Asian development, the term "Asian values" denotes the elements of Confucian culture that are a common feature of the four East Asian countries. Some of the early studies concentrate on finding in Confucian culture one or more independent variables for economic development, such as collectivism, harmony, discipline, this-world orientation, familism, communitarianism, and the commitment to education (McFarquhar, 1980; Berger, 1983; Tai, 1989; Glazer, 1999; Han, 1999; Kook, 1999; Lee, 2000).

In addition, some scholars propose a theory of Confucian capitalism,

which claims that the emergence of a unique capitalist economic system in the Confucian East Asia is a combination of Confucian values with a capitalistic economic framework. According to Lew (1997), a proponent of this theory, Confucian capitalism is unique in that the state intervenes in the market and mobilizes the civilian sector through social networks based on family, school, and locality, in its efforts for economic development, and that the government-business nexus, in which the government renders preferential treatment to selected chaebols based on the latter's competitiveness in the international market, is a major mechanism to produce economic growth. This is a cultural version of the developmental state theory, and reverses the effects of certain Confucian values from the negative to the positive, or the other way around.

### COLONIAL LEGACY AND ECONOMIC GROWTH

It is now time to return to our initial question: to what extent and what elements, if any, of colonial legacy has contributed to Korea's economic growth? A review of previous theories and explanations yield a group of factors considered important either for economic growth or as elements of colonial legacy, as seen in the following summary table (Table 1).

These factors may be grouped into the following five broad categories: (1) physical capital; (2) human capital; (3) institutions; (4) culture; and (5) international environment. Each of these categories contains several specific

Category	Colonial legacy	Economic growth
1. Physical capital	Infrastructure Some industrial base	
2. Human capital	Bourgeois class Industrial worker	Bourgeois class Labor
3. Institutions	Strong state Capitalist economy Modern education Other modern institutions	Developmental state Education
4. Culture	Nationalism	Nationalism Asian values/Confucian culture Will to develop
5. International environment		Korean War Cold War U. S. Market

TABLE 1. ELEMENTS OF COLONIAL LEGACY AND FACTORS FOR ECONOMIC GROWTH

factors brought up by the scholars reviewed here. I will examine each of these to test the thesis of the effect of colonial legacy on economic growth.

According to Western and revisionist scholars, physical capital is one of the most important legacies from the colonial period that has significantly affected economic growth since the 1960s. Physical capital includes an infrastructure of transportation and communications and some industrial facilities. It is probably indisputable that Korea was industrialized, to whatever extent, during the colonial period for the first time in its history. However, it is one thing to prove the occurrence of industrialization; it is quite another to claim its effect on later economic growth. First of all, industrialization was very limited and partial in several ways. As Ho (1984) shows, only those industries that would not compete with, but complement the industries in Japan were developed in the colony. The colonial government also discouraged general industrial development by treating Japanese and Korean industrialists differently, the latter being severely limited in their business activities. According to an estimate, only 6 percent of the total paid-up capital and 16 percent of the total technical manpower in manufacturing in 1940 were Korean (Lee, D-G, 2002: 37). In addition, most of the producer goods were imported from Japan. For example, in 1940, all the locomotives on Korean railroads, more than 95 percent of the engines and engine parts, and 80 percent of the manufacturing machinery were imported from Japan (Lee, D-G, 2002: 28). Secondly, the colonial industries were unevenly distributed between South Korea and North Korea. Heavy and chemical industries were concentrated in the North, while many light industries, such as textile, food, printing and wood, were located in the South. In 1940, North Korea's share of the total production in the metal industry was 96 percent, and 82 percent for the chemical industry. Also, 92 percent of the total electricity production originated from the North in 1945 (Lee, D-G, 2002: 39). Thus, in 1945 when Japan withdrew from Korea and when Korea was divided into two separate political regimes, the South Korean economy in general and industry in particular were severely crippled.

Moreover, the production facilities had been almost completely destroyed during the Korean War. The total amount of the three-year war damage was estimated to be 412.3 billion hwan, 1.7 times that for GDI. About 40 percent of the buildings and 35 percent of the facilities in the 7 industries surveyed in the South were destroyed by August 1951, just one year after the break-out of the war (Jang, 1999: 129-130). In addition, the war reduced the electricity production capacity to less than half of that before the war. Thus, chief objectives of the first and second economic development plans, begin-

ning in 1962, were to expand infrastructure and energy sources such as electricity and coal, and to lay major industries including cement, fertilizer and oil refinery (Lee J-W, 2002). From these, it seems evident that the industrial legacy inherited from the colonial period was almost completely destroyed by the Korean War, or inadequate at most, for later economic development.

In terms of human capital, colonial industrialization was claimed to have produced the bourgeois and the modern working class, which would play important roles in later economic growth. There are two aspects in this issue that are disputed among researchers. The first issue is the extent of the development of the modern class during the colonial period. An analysis of the industrial structure during the colonial period estimates that 80 percent of the colony's population was still agrarian to the end of this period. Moreover, operators, engineers and owners of industrial establishments were mostly Japanese, with Koreans in unskilled and lower-level managerial positions (Lee, J-W, 2002: Amsden, 1989). On the contrary, Eckert (1991) argues that the Japanese deliberately and purposely fostered the growth of the Korean bourgeois. He also shows that these Korean capitalists in the colony played a significant role in the economy after its independence, by indicating that nearly 60 percent of the founders of South Korea's top fifty chaebols were from them. Similarly, Cumings (1984) insists that the period from 1935 to 1945 was the beginning of Korea's industrial revolution, which uprooted peasants from the land, and produced a working class, and widespread population mobility and urbanization. However, it is still not clear to what extent these workers and low-level managers and technicians contributed to the independent Korea's economic development. One important question in this regard is whether they could and indeed had initiated economic growth without the state's guidance and support. This question may ultimately be unanswerable, but before addressing it, we must consider the changes that had occurred within the working class in the turbulent fifteenyear period between liberation and the advent of economic growth.

The developmental state is probably the strongest factor considered by students of Korean development, but least suggested by colonial legacy theorists. Among the few, Eckert (1991) and Cumings (1984) insist that the Japanese colonial state has provided a model for state-directed development in modern Korea. However, it is difficult to sustain this argument for several reasons. First of all, the Japanese colonial state was different from the Korean developmental state in terms of its purposes (exploitation versus development), developmental strategies (substitutive industrialization versus export-oriented industrialization) and constituencies (colonial subjects and sovereign citizens). Unlike the previous Rhee Syng Man regime, the Park Chung-Hee regime had to transform itself into a strong developmental state due to the problem of legitimacy arising from the fact that it had seized political power through a military coup (Lee J-W, 2002: 98). External security threats and the abolition of the landlord class through land reform also contributed to the creation of a powerful authoritarian regime (Waldner, 1999; Cho and Kim, 1998). However, according to Amsden (1989), the student movement and the American occupation force made the Korean state vigorously seek economic growth. Thus, it is at best a remote possibility that the colonial state provided a model for the Park Chung-Hee regime. Rather, the internal and external conditions that the regime faced at that time determined the nature and behavior of the state.

It is still debated when the capitalist economy was initiated in Korea. It also remains controversial whether Korean capitalism was autogenous or transplanted from outside. It seems most likely that capitalism, at least industrial capitalism, started to develop in Korea during the colonial period. However, it does not automatically lead to economic growth, as experiences of many peripheral capitalist countries attest. Also, we have to note the better economic performance of the socialist North Korea than that of South Korea until the 1970s. Capitalism can certainly be an important factor for economic growth, but capitalism itself does not always guarantee growth. The foundation of capitalist development in Korea was laid down in the first decade after liberation. U.S. military rule and the Korean War played a decisive role in capital accumulation and economic dominance of the capitalist class, by dismantling the feudalistic estate system through land reform, and by drawing a vast amount of economic aid mostly from the U.S. (See Jang, 1999).

Education is another institution that is often considered to be important for development or modernization. Education is important because it transforms people, that is, the actors of development, and is regarded as a major element of human capital. Against the claim that the colonial government vastly expanded the modern educational institution in the colony, and, as a consequence, enhanced the general level of education of the population, several points can be made. First, by 1937, only about 17 percent of the total school age children attended primary school (Ho 1984: 353). The primary school attending rate was never above 50 percent up to 1945, and educational opportunities for Koreans beyond elementary school level were very limited (Kim, Chung, and Kang, 1997). For example, in 1942, the total number of college level students was only about 7,400, of which 42 percent were Japanese (Tsrumi, 1984: 306). Second, the colonial education system, by design, discriminated against Koreans in terms of its contents and adminis-

tration. Third, colonial public schools had to compete with private schools run by Korean compatriots and Western missionaries in attracting students and in their effects on modernization and development. The fields of religion, medical care and social work, in addition to education, were contested areas between Western modernity represented by missionaries and colonial modernity represented by the Japanese government-general (Kim and Chung, 1997). Another point made by a nationalist scholar is that colonial education was imbued with an inferiority complex devoid of national consciousness and philosophy. The chief purpose of colonial education was to transform Korean people into imperial subjects who were obedient and compliant rather than creative and entrepreneurial (Chung, T-H, 1996). Indeed, education was expanded rapidly, and its contents changed vastly during and after military rule. For example, the number of students in elementary schools increased from 1.4 million in 1945 to 2.2 million in 1947. During the same period, the number of middle-school students expanded from 80,000 to 212,000, while there were 29 colleges and universities and 22,000 students in November 1947, a fivefold increase from that for the colonial period (Lee, G-S, 2002: 233-242).

It is often the case that nationalism arises and develops during the colonial period. Korean nationalism began to develop in the late 19<sup>th</sup> century when the Choson dynasty was threatened by foreign powers (Robinson, 1988). It was a conservative nationalism that attempted to preserve tradition. During the colonial period, however, progressive nationalism that sought modernization took over conservative nationalism, and nationalism also spread widely among the population, as evidenced by the 1919 popular uprising (Park, 1996). Specifically, Japanese colonialism produced both bitterly anti-Japanese nationalist consciousness (Tsrumi, 1984: 302) and the "catch-up-with-Japan" nationalism (Park, 1999: 158), which may have contributed to producing the motives and drive for efforts to modernize and develop the independent Korea.

Confucian culture has stirred many controversies and debates regarding its role in the East Asian development. Since there is ample literature and reviews on this topic, I will be brief. As Confucian behavior was esteemed as a model for good subjects, Korean Confucianism was in general protected and encouraged by the colonial government (Kang, W-J, 1973). On the other hand, the colonial Confucians who were conciliatory with the colonial authority were in an awkward situation after independence because they were viewed as colonial collaborators. However, Confucian values themselves have selectively affected the development process. Since Confucianism has long been with Koreans, and since values change very slowly, it cannot be a colonial legacy, regardless of whether it was a major factor for economic growth.

Finally, the international environment and geopolitics must be regarded as important factors for Korean development, given Korea's export-oriented development strategy. The division of the country into the liberal capitalist South and the socialist North made the South turn to outward economic policies, because most raw materials necessary for industrial growth are concentrated in the North. The Cold War was instrumental for the U.S. to safeguard South Korea from the threat of Communist invasion and provide not only a vast amount of military and economic aid, but also access to the huge American market. These factors have seldom been examined in the third-world development literature, but must be considered important, as Shin (1998) has demonstrated convincingly. They are certainly not a colonial legacy.

### CONCLUSION

Colonialism is certainly a trauma to the colonial population, because it changes almost all social, political, economic, and cultural conditions. It tends to destroy traditional institutions, but can seldom erase the memory of the people. There may be certain differences between Japanese imperialism and Western imperialism, in terms of its colonial policies and strategies. However, as I have tried to show in this paper, they seldom differ in their effects on later modernization and the economic growth of newly independent countries. In the Korean case, changes that occurred during the turbulent years between 1945 and 1960 made obsolete whatever remained from the colonial period and paved the way for later development. In this sense, Korean development can hardly be attributed to the Japanese colonial legacy. If colonial experience has anything to do with the economic growth of modern Korea, it is the role of Japanese colonialism that "dismantled the institutions of 1,000 years of domestic rule and accomplished overnight, in 1910, what dynastic rule had failed or neglected to achieve in centuries (Amsden, 1989: 32)." It is "contribution by negation" or "construction by destruction." Perhaps we may add one more contribution of colonialism to this: that is, the "will-to-develop" or the "will-to-catch-up" ideology which began to be fostered during the colonial period, and may be behind all of those factors mentioned above.

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