Continuity and Discontinuity in Post-World War II Korean Capitalism*

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1. Introduction

Economic growth of East Asian countries like Korea, Taiwan, and others in the late 1970s drew global attention. The OECD used the term "New Industrializing Countries (NICs)" to refer to those countries whose emergence subsided dependency theory, a then fashionable new paradigm. Dependency theorist A.G. Frank went as far as to declare that "dependency theory is dead." Considering that economies of Korea and Taiwan are noted for their heavy dependence on the world economy, it is quite ironical that their experience of dependent industrialization played a decisive role in taking a toll on dependency theory.

The development of the event was a surprise to many scholars as...

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well as it was to me. In the late 1980s the further advancement of
the NICs in East Asia seemed a show window demonstrating the
validity of the mainstream economic theory. As their myth continued
to strengthen, a new phenomenon occurred around 1990. The con-
tinuous development of the NICs in East Asia, the continuous emer-
gence of new NICs and the optimistic evaluation about them led to
the interest in the historical conditions and background of the eco-
nomic development of East Asia, and eventually to the reevaluation
of the colonial experience of their economy in terms of 'development.'
It was claimed that the heritage of colonial 'development' is closely
tied to today's NICs-type development in East Asia.

It is true that studies were published in the past which examined
the colonial economy with modern economic techniques and main-
tained high rates of income increase during the colonial period. They
were, however, positive analyses of individual cases, which attempted
verification of particular facts. In contrast, the theory which emerged
around 1990 reinterpreted and reevaluated the relationship between
the colonial economy and the emergence of NICs from the holistic
perspective of development.

The new theory of continuity took several forms. First of all, modern
mainstream economics was developed on the basis of national econo-
my of a sovereign state. But its actual analysis tended to omit this
basis and calculate and interpret the surface phenomenon in a quanti-
tative way. As a result, the increase in income was verified regardless
of whether it was of a national economy of a sovereign state or a
dependent economy of a colony. It was thus stressed that foundations
were laid in Korea for its industrialization and rapid growth of
economy under Japanese rule. Japanese management of colonies was
not an exploitation of a certain country in a continent far away from
Japan but a permanent annexation of neighboring countries by means
of occupation in order to expand its territory. Japan aimed at incorporating Korea and naming it Nishgaido (西海島) as it did towards Hokkaido (北海島), although this attempt meant a permanent burial to Korea. Japan, in fact, transferred numerous industries to Korea and made heavy investments there than it would have done to a colony for exploitation. This is the basis for the theory of deficit management. Although the Japanese attempt at industrialization and investment in Korea were motivated by colonial management, they resulted in unintended consequences — the basis of industrialization of Korea after Independence in 1945. Effects of transfers were claimed as the foundations for industrialization and economic development of Korea, with motivations and consequences separated.

A similar argument was posited in political economy. From the viewpoint of Marxist economics Professor Nakamura Satoru (中村哲) asserted that the establishment of modern ownership of land brought about the disruption of the traditional socio-economic relations and that rapid industrialization helped colonial capitalism set up in Korea. He further maintained that middle advanced capitalism developed upon the foundation of colonial capitalism in connection with the global development of multinational corporations in the world system with the United States in the center.

With his positive work, Hori Katzo (堺和生) built upon his mentor’s theory of the transition from colonial to middle advanced capitalism. He claimed that a continuous trend is found in the amount and

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1 Jeeon To, “Post-colonialization and the Orient Capitalism,” Modern Japan and Colony 8, Honmum Lectureship, (Tokyo Iwanami Bookstore, 1993)
structure of trade, the industrial organization, the number of industrial workers of China, Manchuria, Korea, and Taiwan from the 1930s through 1960s. He mentioned that colonial industrialization did not constitute the cause for the emergence of the NICs but claimed that the opinion to view the growth of the NICs-type as starting from the 1960s is to ignore the historical process.⁴ ᴼ⁴

Along with these claims another attempt was made to change "the theory of invasion and resistance (TIR)" into "the theory of invasion and development (TID)." The achievement of modernization through development was viewed as an attempt to create a world without invasion. A series of studies by T. Matsumoto (松本俊郎) was exemplary in this direction.⁵

The trend similar to the arguments mentioned above is found in Korea in a series of positive studies on the colonial economy. Some scholars, Ahn Byungik among others, have been concerned with the accumulated effects of the colonial economy and attempted to interpret the rapid economic growth in the 1960s in continuum with the colonial past.⁶ They have strongly posited the theory of 'middle advanced capitalism' and the 'TID'.

These theories have continued to be presented in Korea as well as abroad so that no one could neglect or ignore them. No in-depth discussion is made possible without considering them. Historians and

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⁵ Matsumoto, Invasion and Development: Japanese Capitalism and the Colonialization of China (Tokyo, 1988).

social scientists in the mainstream no longer ignore them and are trying to make a systematic critique of them. In the process the debate about the matter has sometimes become fairly intense because it is closely tied to the political climate and feelings of the peoples in Korea and Japan and it tends to accompany the polemics on both sides.

It is no doubt that the optimistic prospect for the economic miracle of East Asia lies under the attempt to connect the miracle with the economic development under colonial rule. But as the economic crisis of the region deepens and the pessimistic prospect of its economy expands recently, it seems that the negative aspects of colonial heritage are being recognized and emphasized.

This paper reexamines the relationship between the colonial heritage and the emergence of the NICs with the notion of "interrelationship between internal and external factors," that of "micro and macro," and that of "continuity and discontinuity." The relationship will be explored from today's perspective in which the economic miracle has sunken to an economic crisis. It is not quite accurate to use "development" for both the colonial period and economic growth since World War II because the term was generally adopted to describe post-War development. But the word is used in this paper because it seems to have a more inclusive meaning.

2. Interrelationship between Internal and External Factors

Shin Ch'ae-ho (申采浩) conceived history as "a struggle between we and non-we." This is a conception becoming to Sin who fought a life and death fight against the Japanese invasion with all his mind and body. But his idea does not have to be followed in a static manner. I intend to take his claim as the interrelationship between internal and
external factors, by viewing we and non-we as internal factors and external factors respectively and replacing the struggle with cooperation and competition. As shown in Sin's remark that "non-we are inside we and we are inside non-we" external factors are in internal factors and internal factors co-exist with external factors. In actuality, specific situations are very complex.

This section is divided into two parts in order to examine the continuity and discontinuity between the colonial economy and Post-World War II economy of Korea. First, it will explore the growth of the colonial economy or its legacy. The 'TID' and "the theory of the latecomer's advantage" seem to be two most important concepts in the theory of colonial development and the theory of middle advanced capitalism. These notions will be investigated with the concept of 'the interrelationship between internal and external factors.' The first part will be followed by a study of the postcolonial process of growth by which the Korean economy was transformed into a new industrialized one.

The strain to reconstruct the era with the 'TID' or the notion of 'exploitation and development' rather than the 'TIR' or the notion of 'exploitation and underdevelopment' was already revealed in part or unconsciously in the psychology of the Japanese authorities and the statement they made during the colonial period. The strain was subdued by the resistant voice of the previously colonized and the claim that the war criminals be punished on the part of the United States which won the war. With the tide of conservatism high in Japan and the States in recent years, however, Japanese right-wing scholars and some American social scientists have started to make statements supporting the logic of continuity.

Exemplary scholarship in this direction is Matsumoto's Invasion and Development: Japanese Capitalism and the Colonialization of China (1988)
Matzmoto cites Ramon H. Myers and Mark R. Peattie's "The Japanese Colonial Empire, 1895-1945" (1984) in which they examine Japanese imperialism from the developmental perspective and Clive Hamilton's article which deals with the NICs in East Asia from the position similar to Myers and Peattie's. Matzmoto analyzes the Chinese colonialization in terms of development. He posits "the general realization of modernization" as the basis for the 'TID':

If a historical study about Japanese invasion of Asian countries before World War II is limited to the mere conviction of its imperialism, it is not enough to solve the problem. This is because the emphasis should be placed on how to achieve the general realization of modernization which will contribute to the realization of international peace by avoiding invasion rather than on the denunciation of invasion.\(^7\)

For Matzmoto the crux of the matter is not the denouncement of the invader but the realization of the world peace which will enable us to avoid invasion. For this purpose it is essential to realize modernization, to which the Japanese imperialist invasion contributed.

Ahn Byungik applies the 'TID' to Korea in a series of articles. He points out that the 'TIR' views the liberation of the Korean people as the main task of history. In the 'TID', however, the primary mission of Korean history after Independence is different from that of the previous era; it is to achieve development or modernization. Ahn further asserts that the 'TIR' sees the colonial period in a simplistic schema of invasion and resistance whereas the 'TID' opens up the era as an arena on which are crisscrossed various vectors such as invasion and resistance, exploitation and development, colonization and modernization, and oppression and freedom in a complex way. The term

\(^7\) Matzmoto, op cit
development here not only means the economic development of the
colony such as the advancement of industrialization and the rapid
economic growth Japanese rule in Korea brought about by setting up
the capitalist institutions and investing in social infrastructure. The
process of development also includes the development of the self. Koreans
entered new classes of life such as the farmer, the worker, the
capitalist, and others in the modern sense.

It is difficult to deny that such development was made during the
colonial period. In fact, there is no need to. The developmental
aspects have been quantified, verified, and quite well-known. What is
problematic in the 'TID' is the tendency to take Japanese invasion as
development by foregrounding the latter and connecting it with the
process of development since the 1960s. Advocates for the 'TID' insist
that the colonial period be opened up as the arena for various
vectors to interact without simplifying it. But I believe they leave
little room for resistance or underdevelopment in their theory by
conceptualizing invasion and development as two sides of a coin. It
is true that they have good reason to focus on the developmental
aspects because previous studies tended to emphasize resistance against
invasion. But the theory of development does not provide room for
the theory of resistance, and if the latter is allowed in the former the
nature and meaning of development must be significantly changed. In
consequence, a closed logic of invasion and resistance is replaced by
another closed logic of invasion and development. Another problem
in the 'TID' is that colonial development is not clearly differentiated
from the development of the underdeveloped countries after World
War II.

I have already pointed out that under Japanese rule the level of
welfare dropped and the actual farm rent increased as the develop-
ment proceeded, colonial coercion deepened as colonial capitalism
expanded, and the actual income level did not rise in the long term as high industrialization was carried out. If this is the case, development and underdevelopment should be simultaneously taken into account like the two sides of a coin. Resistance as well as development have to be foregrounded at the same time because the symmetrical structure of development and underdevelopment contains both aspects.

If we adopt the concept of 'the interrelationship between internal and external factors,' invasion is viewed as an external factor and resistance and development as internal factors. Development is the consequence of invasion and thus can be seen, in Shin Ch’ae-ho’s phrase, as "non-we inside we." Development is also the consequence of the interaction between internal and external factors in that it constantly reflects internal factors. The concept thus does not exclusively focus on either of resistance and development but takes into account both aspects at the same time, notes their contradictory and complementary relationship, and examines their relationship with external factors such as invasion.

This 'theory of resistance and development (TRD)' accepts the developmental aspects in a limited manner, so that the resistant aspects are of the dynamic nature with various vectors interacting and have a closer relationship with the developmental ones. In addition, with the acceptance of the aspects of resistance the nature of development is changed in the theory. Development has a more limited meaning and a closer relationship with resistance. The notions of resistance and development are made different from those in the 'TID'.

I mentioned that resistance in the 'TRD' has a variety of vectors. Capitalism presupposes the existence of a national economy which is

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based on the existence of the state. If development is carried on without the state, that development is only a limited one of a colonial nature. In this light the resistance movements to recover the state under Japanese rule was a natural expression to restore national identity and a means to ensure the sound development of capitalism. Armed struggles and the establishment of the preliminary government in Shanghai which were a concrete expression of resistance were closely related to development or capitalism. Resistance was a means to fulfill the goal of building a national economy. This may be called the first form of resistance.

In contrast, there was resistance which took a more realistic form, although it appeared to follow the development theory. The movement to support the national company and the education movement, which were based on the theory of building up national capacities, belonged to this form of resistance. It was internal resistance which on surface appeared external development. Its typical form is found in Paeksan Trading Company in Pusan, but it includes other so-called national companies like Kyöngsöng Spinning and Weaving Company. This may be called the second form of resistance.

Diverse labor movements under Japanese rule were a response to the Japanese companies or landlords who advanced to Korea. They must have played a role of enhancing the status of workers and farmers and expedited the process of dividing labor and capital. Legal labor movements in the developmental process may be called the third form of resistance.

If the advancement of colonial development tended to reinforce the national underdevelopment and led to the situation in which development and underdevelopment existed together, it is natural that colonial development is resisted by underdevelopment. The long-term high growth of economy was accompanied by the comparative reduc-
tion in the consumption of rice, the increase in the poor and the refugees, the comparative decrease in the actual wages of workers, and the comparative increase in the farm rent. It is only natural that the underdeveloped would resist the developed. Even the small and medium size Korean capital inaugurated a resistance movement against the Korean as well as Japanese big money in the 1940s. This may be call the fourth form of resistance.

It should be noted, however, that invasion did not always lead to development. Resistance against invasion as an expression of genuine national identity more often than not was not directly connected with development.

I have so far examined four patterns of the interrelationship between resistance and development. In a colonial society, however, the effects of external factors were predominant while the roles of internal factors were remarkably reduced. It is common not to distinguish between a colony and a semi-colony. The level of autonomy in internal factors is much higher in the latter than the former. Under Japanese rule, even if the internal factors were expressed in development, they tended to end up being incorporated into the external factors of a colony. Activities of corporations at a micro-level were overwhelmed by the macro-process of colonial affairs administered by the coercion of the Government-General. Under these conditions it would have been difficult to sustain the pattern of internal resistance and external development in the domain of economy. The conflict was inevitable between the developmental and resistant aspects. Bruce Cummings suggested that the advance of Korean corporations into Manchuria under Japanese rule was the semi-peripherization of colonial Korea. But there was no such thing as the semi-colonization

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9 Bruce Cummings, "The Origins and Development of the Northeast Asian Political
of a genuine colony. For this could not reflect the internal factors of colonial Korea but was forced upon the colony by Japan out of its economic and strategic goals and needs.

Post-World War II Korea was the result of the interaction between its internal and external factors. External factors of this time were the effects of the capitalist world system under the American hegemony which was entirely different from the Japanese. Internal factors were, among other things, the task of building a nation which was anti-Japanese or the insistence on resistant development. Under the initiative of the state the friction between resistance and development could be significantly reduced and the two factors could be incorporated.

One of the most important tasks necessary for the Korean economy to transform itself from the level of the NICs to that of advanced countries is to construct a structure in which it can accomplish the division of labor on an equal basis with the Japanese economy in the technological realm. If somebody thinks the theory of resistance should be deserted on behalf of development for this purpose, it could worsen the problem. To take an example, we need to learn and import Japanese technology but respond to their collectivism with the theory of resistance. The technology of Japanese corporations is the product of the Japanese management and economy beneath which lies Japanese collectivism. Japanese collectivism, with all its positive effects, is known for its exclusiveness towards foreign countries, which blocks the transference of Japanese technology overseas and imports of foreign goods to Japan. When Japanese technology is transferred to other countries which then export to Japan the goods made with the

transferred technology, i.e. when the market factors are fulfilled, technological transference will be made with more facility Japanese collectivism interferes with Japan's efforts to cleanse its past crimes, encourages the Japanese to view Korea in a conservative way, helps stain the image of Korean goods, and holds in check Korean exports to Japan. Its collectivism is "the negative heritage" of colonialism of the past. Japanese collectivism should be responded with the theory of resistance, which in turn can play a complementary role for the theory of development. In fact China employs both approaches towards Japan in a complementary way. It is not a matter of selecting an alternative.

An anti-Japanese movement does not mean resistance against everything Japanese but against conservative elements in Japan like its collectivism. Inside Japan the Japanese tend to be unaware of their collectivism and of what actually happened in the past. In the mountain its whole view is not visible. In this sense Korea's constructive criticism helps Japan open up itself, and the opening of Japan will become a genuine catalyst for the equal division of labor between the two countries. It is time that Korea should set up a dual strategy towards Japan based on the harmonization of the theories of development and resistance. This is a short cut to the advancement of the Korean economy.

The 'TID' predominantly explains the economic growth of Korea since the 1960s with 'the theory of the latecomer's advantage.' The concept was suggested by A. Gerschenkron when he tried to explain how the latecomers in the 19th century such as Germany, Italy and Russia caught up with the then advanced country, the U.K. H Rosovsky applied Gerschenkron's idea to the Japanese economy to explain its catch-up process, while T Watanabe(渡辺利夫) applied the concept to the same process of the Korean economy. 'The latecomer's
advantage' is, however, achieved by the internal factor with which a state internalizes the external factor rather than merely by the external factor. By internal factor here is meant the educational level, the will to develop, the hungry spirit, social infrastructure, administrative capability of the government, management quality, and other social climate. If 'the latecomer's advantage' had large effects on the development of the Korean economy, it was not simply the product of an external factor but that of utilizing the internal factor with which to efficiently take advantage of external factors provided. The making of an NIC by means of the latecomer's advantage was the consequence of the transaction between internal and external factors. If that was the case, it is essential for Korea to adopt a strategy to harmonize the external and internal factors in order to enter the advanced country.

Korean scholars have posited the notion of "the latecomer's disadvantage" rather than advantage since they felt the limitations of the latter. The latecomer's disadvantage is one of the major causes for accumulating the trade deficit and largest obstacle in blocking future advancement. The disadvantage was forced upon Korea by Japanese collectivism and coercive trade policies of the United States, and caused by the ignorance and lack of know-how by Korea. It should be overcome with the dual strategy of resistance and development rather than by the developmental theory alone.

The advancement of the Korean economy should be accomplished in the manner that "the latecomer's disadvantage" is reduced and the early comer's advantage is secured. Insofar as the early comer's advantage is the consequence of the interaction between internal and

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10 Kim Young-ho, *Industrialization in East Asia and World Capitalism* (Tokyo Toyo geizai shobo-so, 1988) p. 9
external factors, and insofar as the negative legacy of the colonial period continues to exist along with the division of North and South Koreas under the Cold War system, the double-track approach of resistance and development will not reduce its efficacy.

3. Continuity and Discontinuity

History has a double face of continuity and discontinuity at all times. The emphasis on discontinuity leads to neglecting and ignoring continuity whereas the obsession with continuity results in missing the element of discontinuity. During the transitional period, discontinuous aspects dominate and continuous ones tend to be weakened. The transition from the colonial into the post-World War II era and then into the era of the NICs has revealed discontinuous elements rather than continuous ones. Is the process whereby Korean capitalism expanded and developed into a new industrialized country connected to the legacy of colonial economy? This section will pursue the history of Korean capitalism. It will focus, among others, on the restoration of a state in Korean capitalism.

The development of Korean capitalism after World War II was not a process whereby the substructure of labor and capital constructed the upper structure of a state. Rather, the upper structure which was built first reconstructed the substructure. The state, with its overwhelming power, dismantled the structure of the colonial economy and gradually created a new substructure. In G Dupre and P. Rey's term, the political "instance" was more dominant than the economic one.

If a state is not created by the substructure, how is it made? According to P. Salama, it reflects "the constitution of the world economy." R.D Duvall and J.R. Freeman call it "a creature of the
world system," and more specifically, a creature of Pax Americana Post-World War II Korean capitalism took on a discontinuous form created from above by the state which was the product of the capitalist world system under the American hegemony after World War II. Discontinuity was all the more dormant and greater just as the extent to which the state created with the external influence attempted socio-economic reorganization.

Though Korean capitalism after the war overwhelmingly responded to Pax Americana rather than to the domestic substructure, the external factor was difficult to realize without the transaction with internal factors. As I. Wallerstein emphasizes the importance of internal factors, even the intention of capitalism in the center does not work efficiently without the consent, if nominally, of the peoples of peripheral capitalism. The nature and level of internal factors is a very significant variable.

Thus the matter was again the socio-economic substructure and the continuity of the colonial economy inherent in the substructure. The more powerful the substructure was, the stronger the continuity. The upper structure with its dominant superiority, however, dismantled and reorganized the substructure, and the substructure could not exercise as much influence as it could because of the diffusion and conflict of powers among "capital fractions" with different class interests. The state after World War II was a cause for the destruction of Korean capitalism although it reeled with "the double relative autonomy" from the capitalist world system as well as the domestic substructure. This is to say that discontinuity was stronger than continuity in the structure of "continuity in the midst of discontinuity"

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where discontinuity was found in the upper structure and continuity
in the substructure.

Continuity and discontinuity refer to two extremes of change. An
attempt to explain reality with the single extreme is likely to be
unpersuasive. This kind of conceptual rigidity has something to do
with the confusion around the controversy on 'the theory of colonial
development' and the industrialization of Korea. As Gerschenkron
points out, continuity and discontinuity, as part of a change, take the
form of continuous and discontinuous change. It seems claims made
by Nakamura and Ahn are in essence close to 'continuous change.'
Since discontinuity or change includes continuous elements, A. G.
Frank emphasizes "continuity in the midst of change" whereas K. Honta
(本多建吉) stresses "change in the midst of continuity." Continuity in
the midst of change refers to the continuity of dependency in nations
that became independent after World War II, and change in the
midst of continuity to a variety of changes in the continuity of
dependency Changes occurring in a discontinuous fashion may be
called "a change in the midst of change."12 Although I pointed out
that post-World War II Korean capitalism was "a process of continuity
in the midst of discontinuity" characterized by discontinuity of the
upper structure and certain continuity of the substructure, continuous
aspects were forced to change and reorganize themselves by the
upper structure

'Continuity in the midst of change' constantly occurs to the extent
that the upper structure is conditioned by the domestic socioeconomic
factors. Nevertheless, that continuity is led to 'a change in the midst

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12 Kim Young-ho, "Development of Capitalism in East Asia," in The Second Symposium
on Economics Framework of Capitalism in East Asia, sponsored by Kyungpook University
and Kyoto University, 1994
of continuity' by a state which represents the intention of the capitalist world system, and goes through 'a change in the midst of change' responding to the rapid changes in the world system. In this process the substructure inherited from the colonial period remains merely a micro-element in the macro-process of expansion in the Korean economy. Continuity exists on the micro-level while discontinuity on the macro-level. It is the state policy on the macro-level that determines how material elements on the micro-level have to be employed and utilized rather than the capabilities and intentions of the elements. When micro and macro levels are not distinguished, continuous aspects appear to last. But once distinguished, continuity diminishes.

The confusion of micro and macro elements is found in evaluating "the theory of budding capitalism" in the late Chosŏn dynasty. It is an important verification of a fact and scholarly achievement to find that micro elements of capitalism originated and developed from the operation of the economic system on the macro-level in the late Chosŏn era. The finding could be seen as an evidence for a continuous internal factor in Korean capitalism. What is problematic seems to be the over-interpretation of the continuity of a micro element as that of the system on the macro-level.

The development of the Korean economy was not simply the product of the deconstruction and reorganization of the substructure by the state after Independence. The colonial destruction was 'the one that brought about both the foundations for national development and that ruined the socio-economical conditions for remaking and self-reliance.' This means that it was difficult to build the basis for revival and self-reliance even after Independence. After 1945 the restoration of the state was not easy and there was no time to establish vision and know-how to run the state.

Capital accumulation was also carried out as an effort to reorganize
the substructure. After the war the Korean government carried into effect the land reform and the transfer of state property into private ownership, but the measures were not enough to provide a condition for the supply of capital necessary for recovery and self-reliance. The result of primitive accumulation under Japanese rule was lost in the development of 'the negative colonial legacy' of such as the Pacific War and the Japanese hegemony, the separation of the colony from the mother country, the division between North and South Korea, and the Korean War. Primitive accumulation resulted in "the function of capital to destroy civilization," Marx's later concept rather than "civilizing function of capital," his concept of the middle years. Colonial destruction led to the destruction of capital accumulation and national capital. For its survival the Korean government resorted to large scale American aids and foreign debt.

Foreign debt made it possible for Korea to become one of the new industrialized countries. In terms of capital supply there was no continuity. After setting up its institutions for some ten years from the 1950s, Korea became a middle income country (a term by the World Bank) through the modern economic growth for 10 years or more since the 1960s. Then about 10 years of high rate of growth made Korea a new industrialized country (a term by the OECD), which was followed by 10 more years of high rate of growth, so that Korea emerged as one of late NICs. When another 10 years passed Korea is pursuing the entrance into the group of early advanced countries.

In this process Korea expanded and deepened its dependency upon foreign capital in the form of aid, increase in loan and foreign debt, and direct investment of multinational corporations in Korea. The loan was the dominant form of foreign capital. Schematically, it was first introduced into Korea in the form of "two party alliance" between government and foreign capital, then "tri-party one" among
government, chaebol or conglomerate, and capital, and finally "the quartra-party alliance" which included small and medium size companies in addition to the tri-partite one.

Wallerstein asserts that Japan is the final case of industrialization by means of national capital in the history of the world. In case Korea becomes an advanced country it will be the first success story of industrialization by means of government and foreign capital. I want to call this the pattern of the industrialization of the fourth generation. First-generation industrialization was a voluntary one by the bourgeois like the U.K. in the first Kondratieff, N D cycle. In second-generation industrialization the role of the government was larger than in the first one because the bourgeois did not grow fully enough to govern itself like France, Germany, and the U.S. in the second Kondratieff, N D cycle. A good example of third-generation industrialization is found in Japan, Russia, and Italy in the third Kondratieff, N. D. cycle when the industrialization was carried out by the combination of the corporation and the state whose direct role increased. Fourth-generation industrialization is the pattern of industrializing by means of the state and foreign capital as in Korea in the fourth Kondratieff, N. D. cycle.\(^\text{13}\)

In the supply of the labor force like the accumulation of capital, the new industrialization of Korea was carried out separate from the legacy of the colonial economy rather than in continuation of it. The labor force was not the skilled one trained in the colonial capitalist system, although the consumption goods industry like textile, shoes, and wigs started from the late 1950s and early 1960s. They were mostly a young labor force, especially the female workers who were educated in the elementary, middle and high schools after World War

\(^{13}\) Kim Young-ho, *op cit*
The skilled labor force was required as the industrialization continued and supplied by those who were educated at the high school and university levels. High-quality, low-wage working force was the basis for the rapid industrialization of Korea, most of whom were trained and educated in the enthusiastic atmosphere for education after World War II.

It is true that new education was widely available during the colonial period, but that was already carried out at the end of the 19th century and could be traced even to Silhak or "Practical Learning" in the seventeenth century. The strong desire for the rise in social status at the close of Chosön was embodied in the enthusiasm for education, and the effects of the land reform after Independence prompted this tendency.

The construction of social infrastructure during the colonial period is often said to have made it possible for the NICs in East Asia to emerge. Although the motive for the investment in the colonized countries was their exploitation, the consequences of the investment were transferred to those countries once they were liberated and encouraged their development afterwards regardless of the motive. There is no denying the consequences themselves. But it is a logical leap to directly tie them to the development of the NICs. In order for Korea to be an NIC the enormous investment in social infrastructure was necessary since the 1960s in addition to the construction of infrastructure during the colonial period. The failure of the North Korean economy exemplifies what would occur when the additional investment is neglected. In China the delta area of the Zhu river (珠江) where no Japanese investment was made led the development of the Chinese economy rather than the three provinces of the northeast China where Japanese advance was salient. Thailand and Malaysia in Southeast Asia are becoming NICs rather than other countries in
which Japan made large investments in social infrastructure.

Change in the capitalist world system is among other things an important factor in the emergence of the NICs. The capitalist system before World War II found in the overseas colonies a secure market in which it sold the surplus production because it could not absorb the mass production by means of mass consumption in the domestic market. After the war the system entered into "the post-colonial era" in which it absorbed mass production with domestic mass consumption, thereby maintaining full employment. It is the policy of the Keynesian effective demand that has made this system work.

The capitalist world system has found for the first time a mechanism that enables it to expand without the colonies. The system itself has changed in essence, although there is a limit for the system to be universally realized. The policy of Keynesian effective demand in the United States constituted an external factor for the increase in the export for the developing countries including Korea. The U.S. took active policy measures to import cheap consumer goods from Korea and others to prevent inflation that was caused by the increase in wages. Where there is a market there is a way to supply production elements. Korea did not find it difficult to secure capital, technology, facilities, and parts required for its economic development in the form of foreign loan.

As shown in the next graph, the structural contradiction of the decrease in the surplus value rate and the rise in the actual wages made it difficult for the U.S. to have an organic composition of capital. The U.S. had to compensate for this with post-industrialization and foreign investment. This became the source of capital financing and investment for the East Asian countries. In response to the post-industrialization of the U.S., Japan carried out high industrialization whereas it was rapid industrialization in Korea and Taiwan.
Graph 1: Surplus Value Rate and Organic Composition of Capital in the US

Notes 1) The vertical line on the right represents technological composition of capital (dotted line)
2) Per capita actual income of workers is in the dollar value as of 1958 based on the income of 1967 as 1

Source: Recalculation from E N Wolf (1986)

'Invitation' from the capitalist world system was an external factor for the development of the Korean economy. In other words, Korea was enabled to become one of the NICs because it is successfully 'seizing the chance' or 'invitation' provided by the capitalist world system.

The capitalist world system before World War II was qualitatively different from the one after the war. Before the war 'the theory of resistance and development' had to be employed while after the war
'cooperative development' had to be adopted together with resistance. In addition, it should be noted that postwar world capitalism formulated a pluralistic system under the system of the GATT and IMF. The relationship of domination and dependency assumed by dependency theory is typically found in the closed relationship between the two in the colonial period Korea, however, formally maintained a plural relationship in the midst of the actual bilateral relationship with the US As its relationship with the US expanded to the tri-lateral one including Japan and then was transformed into the actual pluralistic one, the static relationship of domination-dependency tended to be weakened and retreat in the open and dynamic context. I have so far analyzed the characteristics of the changed capitalist world system after World War II, all of which point to the discontinuous nature of the post-war system. They have constituted major factors for the rise of the NICs including Korea

4. Conclusions

It is important to see the economic development of Korea in the larger context of modern and contemporary Korean history rather than view it on the level of international economic factors or policy alternatives. In case a longer view is taken the matter of continuity and discontinuity between the post-World War II Korean economy and the colonial economy is inevitably brought up. It is helpful for finding facts to claim about the continuous capitalist development of the Korean economy and make a positive analysis to support it. Fact finding is essentially good and worth the effort.

The interpretation of facts and the theorization, however, require a more careful and in-depth study and a consideration of realities. I have examined the tendency that the theory of colonial development
or the theory of colonial modernization confuses internal and external factors and deals with them in an ambiguous way. I have attempted to reconstruct the 'TIR' and the 'TID' as the 'TRD' in the framework of interaction between the two factors I have emphasized that the meaning of resistance and development in the 'TRD' is different from that of resistance in the 'TIR' and from that of development in the 'TID.' In addition, I would like to point out that the meaning of invasion as an external factor in the 'TRD' is different from that of invasion in the 'TID.' This is because *invasion as opposed to development* is different from *invasion as opposed to resistance* in its nature and content. To borrow Dos-santos's term, it is the confusion between "conditioning" and "determining."

In the controversy over continuity and discontinuity I have observed that the concept of whole and part or macro and micro tend to be undifferentiated. This is a serious methodological problem I have noted a tendency that continuity and discontinuity in history were viewed in a somewhat uniform way so that the complex situation was made rather simplified. I have suggested the notions of change in continuity and continuity in discontinuity combining discontinuity on the macro-level and continuity on the micro-level.

I have the impression that a rash claim and wild criticism somehow have dominated the discussion although there is ample room for further examination both in theory and in practice. More rigorous studies and tolerant attitudes are required. Besides, consideration for political situations is necessary. In a conservative reaction to the claim to cleanse its past there has recently been widespread argument in Japan for overcoming the dominant historical view at the time of the Tokyo trial. One of the vital parts in this argument is the insistence upon the historical legitimacy of Japanese colonial domination. Considering the fact that the conservative trend in Japan takes political
advantage of and emotional delight in the theory of colonial modernization or development, it should be noted that this theory could constitute a continuum of the negative legacy or 'another external factor' in the sense of conditioning contrary to the scholarly intentions of its advocates.

East Asia is going through a serious economic crisis nowadays. In the past colonial economic legacy tended to be viewed in a positive light from the optimistic perspective of the economic development of East Asia. But today the legacy is under mounting criticism as the economic crisis deepens and the prospect for recovery seems dim. I would like to point out that many rejected the optimistic prospect and stressed a critical evaluation of the economic legacy of colonialism even when the economic development of East Asia was at its prime.