

The Introduction of Western Economics to Korea before 1945

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I. Introduction

Western economics in Korea has a history of over a century. In 1884 the term “economics” was introduced to the intellectual community in a periodical entitled *The Hanseong-Soonbo* (Ten-day Report of Seoul)¹. This periodical served also as an intermediary to introduce economic theories of H. Fawcett and T. Malthus. The other early work to introduce Western economics was a book by Gil-Joon Yoo, entitled *Seo-Yoo-Gyeon-Moon* (*A Brief Look at Western Society*, 1895), which mentioned the role of money in a Western economic system and briefly explained some economic theories, including the tax theory of P. L. Beaulieu.²

These two efforts were, however, so discursive that they cannot be considered to be theoretical works. In the 1890s more intensive efforts were made by two groups: one was a group of Korean students studying in Japan and the other was the Association for the Independence of Korea.

The effort to introduce Western economics intensified in the first decade of the twentieth century, but it was soon aborted, as Korea fell a victim to Japanese colonization.

As the independence movement became vigorous in the 1920s,

¹ *The Hanseong-Soonbo*, July 3 and Aug. 1, 1884. This periodical later became a weekly periodical.

² Yoo's work was directly influenced by a Japanese book, *Seiyo-Jijo* (*Current Affairs in a Western World*) by Yukichi Hukuzawa. However, the former work does not mention one chapter, “What is economics?” in the latter work.

however, attempts to introduce economics reappeared. Two flourishing fields in this decade were socialist theories and economic history, which might reflect Koreans' recognition of their own fate. In the 1930s, an attempt to introduce Keynesian economics was also made, but failed because conditions grew more unfavorable to theoretical research, as the oppression of Japan, who was then at war with China, became severe.

This paper tries to describe this tragic history of economics in Korea in a chronological order. The next section explains early attempts to introduce economics. The third section statistically analyses more systematic efforts made by Korean students in Japan and Korean intellectuals. The fourth section explains how the ideas of socialism and the study of history became popular under the Japanese rule. In addition, the introduction of other trends, such as Keynesian economics, will be explained.

II. Two Early Attempts

A. Articles in a Periodical, The Hanseong-Soonbo

In the first periodical in Korea, which was launched in 1883 as a ten-day report and then became a weekly magazine in 1886³, over thirty articles about economics appeared, but most of them were concerned with current events. More theoretical articles addressed Fawcett's view on national bonds and Malthus' population theory. In an article which appeared in the issue of April 25, 1884, the enhancement of manufacturing and national defense by raising funds through national bonds was supported as what most governments had been doing.

In an article in the issue of June 28, 1886, Malthus' population theory was introduced.⁴ This article criticized Malthus' idea that the population would grow geometrically if unchecked, while food stuffs would increase arithmetically on the grounds that it overlooked the possibility of increasing productivities. According to this article, the publication of Malthus'

³ see footnote 1.

⁴ In comparison with the Japanese case, this introduction was only ten years late. In Japan, Malthus was introduced in the years 1876-77.

book encouraged many supporters of the Malthusian doctrine because England at that time had small colonies, few migrators, and a small degree of mechanization and cultivation. This article suggested that the incentive to save more had to be given, rather than the policy of suppressing population growth.

The source of these articles were probably newspapers or government reports of Japan, China, and England. Even though there were no explicit references about economics in the two articles, the sources of them were probably the Chinese periodicals, judging from their style and terms.

B. The Role of Gil-Joon Yoo

Among the first generation of enlightened intellectuals, Yoo's activity was remarkable. Influenced by his Japanese teacher, Hukuzawa, Yoo published a book to introduce Western social systems in 1895. Before the publication of this book, he wrote articles in which he argued in favor of the surveying of land, the issue of national bonds, and the monetarization of tax payments. He elaborated on these arguments in his book.⁵ By introducing the Western systems he hoped to build a modern nation by fostering manufacture; his main thought was not so close to classical economic theory, as to mercantilist thought. At any rate, his view on enriching a nation inspired Koreans' interest in Western economics, and thus it is worth mentioning his views on money and taxation.

(i) Fundamentals of the monetary system:⁶ In chapter 10 of his book, Yoo explained the basic theories of money. After emphasizing the role of money as a medium of exchange and a standard of measurement, he explained the reason why gold or silver should become the most acceptable medium among many goods, as W. S. Jevons pointed out. He maintained that paper money would be acceptable only when people's belief in government's stability was strong. He then advised that government had to be prudent in issuing paper money, because an excessive amount

⁵ Gil-Joon Yoo, *A Brief Look at Western Society* (in Korean), 1895, pp. 67-84, pp. 181-204, pp. 257-62, pp. 482-5, and *passim*.

⁶ *ibid.*, pp. 257-62.

might lead to the disruption of an economy. He also argued that the right to take seigniorage had to belong to the state, and the value of money had to be kept constant.

(ii) Taxation: In chapter 7 of his book, Yoo explained the tax system of European countries by enumerating some data, including population and per capita amount of tax payments. After mentioning that the tax was levied on manufacturing goods and trade, as well as on agricultural goods, he explained the detailed method of taxation in England, including tariffs and excise taxes. He also mentioned how the ratio between direct and indirect taxes would be determined.

Next, he introduced Beaulieu's principles of taxation and explained how to operate the tax system in a nation fairly. He argued that (i) the property of low-income families had to be exempt from tax; (ii) livestock for cultivation had to be exempt; (iii) the tax rate on such necessities as corn, clothes, and coal had to be low or zero; and (iv) the tax on such luxuries as tea, liquor, tobacco, and silk had to be heavily imposed.

III. The Importation and Diffusion of Economics in 1895-1910

In 1895, economics was first taught in the modern school system established by King's decree.⁷ Many students were sent to study abroad on government scholarship from March, 1895. While abroad and after returning to Korea, they tried to introduce economics by publishing papers about economic thought in journals.⁸

A. A Statistical Analysis

From 1895 to 1910, 26 economics books were written or translated, and about 250 articles were written by about 160 scholars. Table 1 enumerates these works in a chronological order and classifies them into several fields according to their topics. In addition, to investigate the route of importation, each author's status is classified into one of two groups,

⁷ King Gojong (who reigned from 1864 to 1907) held the reign of Korea's last dynasty. He enunciated the Decree on the Education in February, 1895.

⁸ More than a dozen journals were published for the purpose of enlightenment in 1896-1909

TABLE 1
ECONOMICS IN KOREA BEFORE 1910

Field	Year	1895	1897	1906	1907	1908	1909	1910	sum
General economics	A	1	3	5	13	14	7	6	49
	D	—	—	1	14	10	9	2	36
Monetary economics & insurance	A	—	—	—	2	2	2	—	6
	D	—	—	—	1	5	—	—	6
Public finance & taxation	A	—	—	3	3	2	—	—	8
	D	—	—	—	—	5	1	—	6
Population	A	—	—	—	1	2	—	—	3
	D	—	1	—	—	—	—	—	1
Korean economy, etc.	A	—	1	5	29	31	11	6	83
	D	—	4	7	15	16	10	5	57
sub-total	A	1	4	13	48	51	20	12	149
	D	—	5	8	30	36	20	7	106
Sum		1	9	21	78	87	40	19	255

those who studied abroad (group A) and those who did not (group D).

Table 1 shows some interesting findings. First, the number of publications increased rapidly from 1907, but decreased drastically along with the subjection of Korea to Japan in 1910. Second, those who studied abroad (group A) published more articles about economic theories in general than those who did not (group D). Third, both group A and group D worked a lot on Korean economics, even though the publication in other fields was led by group A before 1906.

B. Contending Schools of Thought

Looking at the contents of the books and the articles, we find that two major trends of economic thought had a major influence on economics in Korea: one was English liberalism comprising both classical and Jevonian economics, and the other was the German historical school.

The efforts to introduce the classical school, scattered as they were, were made from 1895 to the turn of this century. Two students studying

in Japan wrote articles in the newsletter in 1897.⁹ In an article entitled "On the Introduction to Economics", Yong-Sun Uh explained the concepts of wealth, production, capital and consumption in the classical system, and in "On the Relation between Co-operation and Division of Labor", Sung-Mo Oh discussed Mill's view on the occupational division of labor.

In the same year, the first journal published in Korea contained an article on Malthus.¹⁰ Other students and intellectuals also tried to introduce English liberalism. In particular, Jevons' theory of money was widely accepted.

Table 2 examines the intensities of Koreans' interests in each Western economist or school. After choosing 15 works published during the period of 1895-1910, we assign the weight 3, if the work introduced each theory intensively and favorably; the weight 2 if the work introduced each theory not always in a favorable way; and the weight 1 if the work mentioned that theory only briefly. The total values for all the works are listed in each row of the table.¹¹

Table 2 shows that an influential school of economic thought, in addition to classical economics, was the German historical school. As a matter of fact, most Korean intellectuals who were interested in economics were more or less influenced by the German and Japanese historical school, probably because of the affinity of the situations that the countries faced.

Thus, in this period, we can think of three different types of economic thought, according to their attitude toward the classical and the historical

⁹ See *Newsletter of Korean Students in Japan*, No. 5, Sept. 1897.

¹⁰ "On Population and Food on a Global Scale" in *Newsletter of the Association for the Independence of Korea*, No. 9, March, 1897.

¹¹ The list of 15 works examined here is as follows:

- A. Books (written or translated in Korean): Chee-Hyung Yoo, *Economics*, 1907; Hae-Yung Shin and Eung-Sang Won, *Economics*, 1907; Woo-Kyoon Kim, *Principles of Economics*, 1907; Pil-Sun Lee, *Elementary Economics*, 1907; Jung-Kyoon Joo and Seung-Hee Park, *New Economics*, 1908; Korean Imperial Research Association ed., *The Introductory Economics*, 1908; Seung-Gyum Yoo, *Textbook of Economics*, 1910.
- B. Articles: Yong-Sun Uh, "On the Introduction to Economics", 1897; Sung-Mo Oh, "On Division of Labor", 1897; Seung-Gyum Yoo, "On Economics", 1906; Yung-Jak Jun, "On Economic Crisis", 1906; Tae-Hee Seol, "On Economics", 1907; Sung-Hee Kim, "On Finance", 1907; Jung-Ha Yun, "On Economics", 1908; Jong-Joon Lee, "On the Production and Distribution of Surplus", 1908.

TABLE 2
CONTENDING SCHOOLS OF ECONOMIC THEORIES

		The Intensity of Interest
English	A. Smith	23
Liberalism	T. R. Malthus	16
	D. Ricardo	18
	J. S. Mill	29
	H. Fawcett	5
	J. R. McCulloch	7
	W. S. Jevons	13
	A. Marshall	5
French	J. B. Say	5
Liberalism	P. Leorey-Beaulieu	5
The Austrian School	K. Menger	2
The German Historical School	F. List	15
	W. Roscher	20
	A. Wagner	15
	A. Held	5
	G. F. von Schönberg	7
Socialist	K. Marx	5
	J. C. Rodbertus	5
	F. Lassalle	5
Japanese Liberalism		11
The Japanese Historical School		29
The Chinese		6

school:

(i) Type 1: This type is characterized by its emphasis on liberal ideas, and a small interest in the historical school. Few scholars belonged to this type.

(ii) Type 2: In contrast with the first type, this type regarded the historical school highly. Dae-Hee Kim, who argued for the enhancement of domestic industries against the Japanese invasion, was a typical scholar.

(iii) Type 3: This type is characterized by its eclectic position with regard to the classical and the historical school. In addition, the economics of A. Marshall and K. Menger was also accepted. Seung-Gyum Yoo, who wrote theoretical works, belonged to this type.

It is noteworthy that the attitude towards the socialist ideas of J. C. Rodbertus, K. Marx and F. Lassalle was negative in all three types. Most Korean intellectuals agreed that socialism would be impracticable, since it might cause overpopulation, low productivity, and poverty. For example, two students of Seung-Gyum Yoo argued that socialism would hinder the progress of a society because it could limit individual pursuit of self-interest.

Criticizing the socialist program as unrealistic, most intellectuals suggested that social policies to cure problems caused by capitalism had to be compatible with the enhancement of a capitalist economy. They argued in favor of policies to support the middle class, such as stockholding by employees, consumers' cooperative purchasing, medical aid, public housing, progressive taxation, and labor protection and insurance.

The emphasis on the advancement of a nation and reformist social policies was similar to a program supported by Japanese scholars in Tokyo University.

Unfortunately, along with the subjection of Korea to Japan in August, 1910, Koreans' hope to help build a prosperous nation by developing economic theories became shattered and almost non-existent. The movement remained dormant until the independence movement generated its rebirth in 1919.

IV. Economists under the Japanese Regime

A. General Backgrounds

The subjection of Korea to Japan in 1910 had a great impact on the development of economics in Korea. The Japanese regime suppressed not only political but also academic activities. In addition, Koreans' hope to build an autonomous economy was shattered, as Japan remolded the

land-holding system in favor of the Japanese colonizers.

In the first decade under the Japanese rule, only a few articles were published. It was not until Koreans fought fiercely against the Japanese regime that the restrictions on academic freedom were lessened. Koreans' uprising which started on the first of March, 1919, gave momentum to the independence movement, and resulted in the shift of the Japanese colonization policies. As freedom of expression, limited as it was, was allowed, newspapers and journals were published. Moreover, some Koreans tried to create manufacturing firms and compete with the Japanese firms, once the establishment of firms was allowed in April, 1920. Along with this industrialization, led mostly by Japanese capitalists, the labor movement became active, and socialist ideas became popular among labor activists and intellectuals. The economic change stimulated Koreans' study of economic history. Economic historians began to study the impact of the Japanese colonization policies, such as land reform, on the Korean economic system, and found that the so-called modernization led by the Japanese regime actually harmed the Korean economy.

These academic activities, however, did not last long. As the conflict between Japan and China which had begun in 1931 turned into a war in 1937, the Japanese rule became more tyrannical. Many Korean professors were expelled from universities, and the publication of newspapers and journals was banned. Political and academic activities, including the socialist movement, became almost non-existent, except for propaganda praising the Japanese militarism. The period of cultural silence under the Japanese oppression continued, until Korea was liberated as Japan lost a war against the U. S. A. in 1945.

B. Socialist Thought

As the restrictions on political activities softened, radical ideas critical of Japanese imperialism began to grow. The most dominant among these was Marxism, which was also prevalent among the intellectual community in Japan during the more liberal period of 1912-1926. In the 1920s, Marxist thought was introduced together with other broad trends of critical

social thought. It is doubtful, however, that Marx's economic theories were really understood in this decade. In the 1930s, Marx's theories, such as the labor theory of value and surplus-value theory, were studied as a tool of social analysis. Some economists used Marx's theory to analyze the agricultural crisis and the structure of the colonized Korean economy.

The growth of socialist thought in this period could be ascribed to nationalist sentiments. Those who fought for the independence were at least sympathetic to socialism, unlike the attitude in the 1890s.

One of the most active leaders who tried to introduce Marx's economics in this period was Soon-Tack Lee. After studying at Kyoto Imperial University in Japan, Lee translated parts of Marx's *Communist Manifesto* and *Capital*, and published them in a Korean newspapers.¹² In a series of articles he tried to introduce the materialist interpretation of economic history. Then, he translated one part on Marx in *Modern Economic Thought* written by his Japanese teacher, Hajime Kawakami, which he praised as an exceptionally superb textbook to teach basic Marxist theories.¹³ In this translation, he explained the labor theory of value and surplus-value theory, as well as Marxists' view on history. In addition, he published many articles from the Marxist point of view. His academic career ended in 1938, however, as he and other professors were expelled from college after being arrested by the Japanese police on the charge of forming illegal political associations. Similar charges were used to oppress the socialist movement. Socialists had no choice but to remain silent until 1945.

C. Research on Korean Economic History

In the 1930s the number of researchers on Korean economic history grew remarkably in comparison with the number in the 1920s. Some of them tried to write a systematic and complete history of Korea. This upsurge was stimulated partly by the publication of a lot of data about

¹² *The Dong-A Newspaper*, April 18, 1922.

¹³ *The Dong-A Newspaper*, May 11, 1922. Lee was sometimes called as "Kawakami-clone in Korea" by his colleagues.

Korea, including its land-holding system,¹⁴ after the Japanese-backed government helped Japanese professors collect data necessary to govern Korea. Japanese professors also wrote many articles on Korean economic history to justify the Japanese rule in Korea, in that it would be conducive to economic development by modernizing the economic system of Korea.

Korean historians tried to debunk this fantasy of “modernization”, and prove how the colonization policies hindered the self-sustaining development of Korea by establishing a land-holding and money system suitable for the expropriation of the surplus from Korea to Japan.

In 1933 Nam-Woon Baek published *Social and Economic History of Korea*, in which he investigated the economic conditions in an ancient society in Korea. Then, he also published a book on the medieval economy of Korea. Besides these two works, tens of articles and books were published by about a dozen of economic historians between 1930 and 1940.

D. The Introduction of Keynes's Economics

Most economists would agree that *The General Theory of Employment, Interest and Money* (1936) by Keynes was a path-breaking work, even though the true meaning of his theory was hardly understood by his contemporaries. It is remarkable that, only two years after the publication of Keynes's work, a Korean economist, Haeng-Joong Yun, introduced Keynes's theory. Yun wrote articles entitled “A Recent Contribution to Economic Theory: Keynes's Economics”¹⁵ in which Keynes's work was praised as a remedy to cure a world-wide economic crisis at that time, even though Yun did not completely agree with Keynes's suggestions:

As soon as the great academic achievement of Keynes was presented to the society of the economics profession, economists would not stop making laudatory remarks, and some of them considered it to be the most remark-

¹⁴ See *Reports on the Land-holding System and Taxation on Landed Properties in Korea* (in Japanese) by Ichiro Wada, 1920.

¹⁵ *The Dong-A Newspaper*, Aug. 3, 1938.

able epoch-making work since Ricardo. In this regard, it is meaningful to introduce the theoretical system of Keynes.¹⁶

After briefly mentioning the life and works of Keynes, Yun explained the basic structure of Keynes's theory, employment theory and interest theory, and added his criticism from the socialist point of view.

Yun's explanation and criticism of Keynes, however, is incomplete and misleading. He did not endeavor to investigate the theoretical contents of Keynesian contributions, because he as a socialist, was more concerned with a criticism of capitalism. Also, he was not aware that Keynes's model would be useful for a quantitative analysis of an economy. Thus, it is regrettable and ironic that his academic career ended in 1959 as he was prosecuted on the charge of having liberal ideas by the North Korean communist regime which he wanted to serve.

V. Concluding Remarks

In a word, the history of economics in Korea from the introduction of economics in 1885 to the end of the second world war in 1945 looks tragic. As Japanese militarism invaded Korea, the new-born economics profession was uprooted. Research on economic history and socialism under the Japanese regime died in their youth. However, Koreans' efforts to search for a theoretical system suitable for nation-building in this unfavorable environment did not stop, and this perseverance looks exceptional.

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¹⁶ *op. cit.* Also see his first book, *Problems of Modern Economics*, 1943, p. 83.