

# **The Impact of the Korean War on the Political-Economic System of South Korea: Economic Growth and Democracy<sup>1</sup>**

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## **ABSTRACT**

This article aims to pursue several goals. The first is to anchor an analytical description of Korean political development at the beginning of national state formation. The Korean state, I argue, emerged from the wreckage of the Korea War. A second goal is to provide an analysis of the impact of the war on state formation trajectory. The unfinished armistice has shaped the path of the national state and its relations with the United States, which sponsored it. The final goal aims to account for the complex relations between political development and economic growth, weighing in on the ongoing debate over which has priority. The discussion that follows is divided into four main parts. The first examines the linkage of the Korea War to economic development. Land reform during the war is conducive to Korea's later development. The second deals with the role of the United States in fostering the military elites who made economic fortunes. The third highlights the relationship between economic growth and political development. Economic growth occurred prior to democracy. The Korean experience in political economy illustrates the complexity of the democratic path. The fourth part deals with complex connections among war, growth, and democracy.

Keywords: war, land reform, economic growth, state-making, democracy

## **Rapid Economic Expansion and the State**

A large literature exists to examine various aspects of the Korean War—its origins, consequences, and implications for the international system, for example.<sup>2</sup> In the political economy literature, Korea is highlighted as a showcase for achieving both economic performance and political democracy. It is suggested as a model for the developing countries that attempt market economy in a democracy, without discussing the relevance of the Korean War to the issue. Nearly all explanations of South Korean development have placed stress narrowly on the period of rapid export-led growth in the 1960s through 1980s.<sup>3</sup> Previous periods are believed to be background ones for later periods. In doing so a fundamental piece of the Korean political economy development is missing. But it is the Korean War that fundamentally shaped the developmental path. Unlike those attempts, I select the Korea War as a pivotal moment during which the South Korean political economy of today evolved.<sup>4</sup>

However, little attention has been to what mechanism makes possible the state-led strategies. Why did a developmental state work very well in Korea and not as well elsewhere? South Korean development is worth more systematic analysis, considering that many other developing countries have failed to catch up to the developed countries even though they started much earlier than Korea did. Dual goals of economic growth and democracy were successfully accomplished during a brief period in Korea. It becomes a model to which other developing countries hope to aspire. A lot of studies focused on rapid economic development in the Newly Industrialized Countries concur that a developmental state is what those countries have in common. However, no one has shown how this dirigisme first came about?

South Korea has surprised the world by demonstrating economic success in a short duration, particularly since the soldiers left the barracks to exert direct control of the government in 1961. The developmental state of South Korea had been given intensive attention. South Korea's economic performance since 1961 was really outstanding (see Table 1). It is doubly distinctive compared with both its own records and other developing countries. Although the growth of Korean per capita income slowed after the financial crisis of 1997, it increased by 40 percent between 1965 and 1990, making it now the thirteenth largest economy in the world, bigger than Spain. As shown in Table 1, the Korean economy multiplied by 38-fold between 1950 and 1998. In contrast, the entire Latin American economy grew by 6.3 times during that period. Early

starters, mostly including Latin American countries, fared far less well than South Korea in terms of economic growth and depth of industrialization.

The per capita income of South Korea indicates similar growth. As Figure 1 shows, from 1960 to 1970, the growth of Korean per capita income exceeded that of all the other developing countries. In the space of two decades, Korean per capita income increased more than fivefold, a feat that had required more than a century for the nations that led the industrial revolution.<sup>5</sup> This is one thing that was not foreseen. Another thing that was not foreseen was the extraordinary and sustained growth in productivity, which led to a 24 percent increase in per capita consumption of calories.

**Table 1: Levels of GDP (mil \$US) and Growth (1950-1998)**

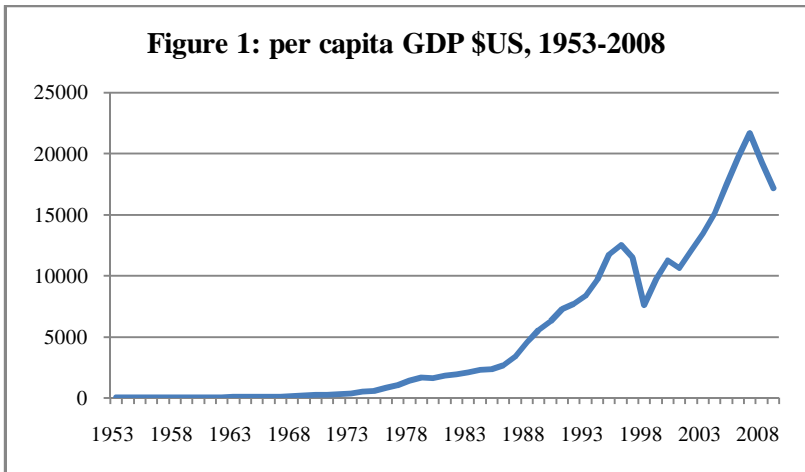
Year	Latin America	South Korea	Brazil	Argentina
1950	355334	16045	89342	85324
1960	591792	42114	167397	114614
1970	990990	62988	292480	174972
1980	1722570	156846	639093	232802
1998	2594017	624582	926918	334314
Growth 1950-1998	6.300222	37.92689	9.374941	2.918171

Data Sources: Maddison (2001)

Exceptionally rapid rates of growth have been achieved by several poor Asian countries for relatively long stretches of time since World War II. During the twenty years from 1950 to 1970, Japan grew at an average annual rate of 8.4 percent in per capita income, increasing its per capita income more than six fold, an achievement that is 50 percent higher than the goal set by the Chinese leadership. The corresponding figure for South Korea between 1965 and 1985 was 7.6 percent, and for Taiwan-China, an average of 7.2 percent over the same period.

It was trade that made this success. As Korea industrialized, its exports would have access to the vast American market. Like the Japanese miracle, Korea's was propelled by trade. South Korea became a trade-dependent state to the extent that the export share of the GDP grew more than 30 percent, which is very close to Sweden, a typical trade-dependent state.<sup>6</sup> Between 1964 and 1979, Korean exports rose fourfold in dollar terms, and since then they have grown more than

tenfold. The Korean export boom powered the dramatic rise in the Korean economy. In one industry after another, including cameras, sewing machines, and shipbuilding, Korean firms displayed their command of the latest technology. During the 1970s, Korea moved from producing under 500 cars to becoming the fifth largest supplier in the world, displacing France among others. The rise of auto production helped promote the expansion of steel and moved the country toward world preeminence in that basic product.



No one had predicted such extraordinary growth in Korea within three decades, from a poor colonial country to the thirteenth largest economy in the world, increasing per capita income by tenfold. South Korea moved to more than \$20,000 in average per capita income in the early 2000s from zero income in 1953 when the Korean War ended. At the end of the Korean War the economies of Korea were entirely devastated. Observers of diverse persuasions and national origins wondered whether this abjectly broken society would be able to provide itself with even the rudiments of survival.

In addition Korea moved to a sustainable democracy in the late 1980s, away from a long period under authoritarian regimes, and without reverting to authoritarianism. The long-term consequences of the Korean War have shaped the developmental path. It should be noted that no state that gained power in the postcolonial world after 1945 has been nearly as successful as South Korea in achieving rapid economic growth and political development. However, the processes happened in sequential order rather than simultaneously.<sup>7</sup>

This successful performance leads us to ask these questions. What makes successful economic development possible? What brings forth efficient bureaucracy to create capital and accomplish economic expansion in collaboration with the capital that is created? What is the relationship between economic development and political democracy? These questions are first directly and indirectly linked to the question of land reform. Land reform is one of the most important issues that characterizes the distinctive path of political economy.

### **The Korean War and Land Reform**

The Korean War reshaped capitalism and liberal democracy by reordering both the domestic and international order around Korea. The domestic legacy of war is particularly effective in creating a strong state. The war years engendered an expansion of state capacities that permanently changed the balance between state and society. When the war ended in 1953, South Korea reflects what Mancur Olson argues with respect to the enormous impact of wars on economies. The war left no bases for “distribution coalitions” which, Olson says, impede economic growth. South Korea’s economic loss in the first year of the war has been estimated at \$1.8-2.0 billion.<sup>8</sup> This amount was equal to more than its GNP prior to the war. No influential group remained to exert its power to seek rents. Olson suggests that a society with “the longer history of stability, security, and freedom of association would have more institutions that limit entry and innovation” than a society with the same features otherwise.

Land reform is the first of the most significant legacies to demonstrate the changing boundaries between society, economy, and the state. The reason that the South Korean state was built up in a brief period is associated with the lack of powerful interests. Land reform put aside landlords as a class during the war. Military competition forced the state to adopt a policy that was hostile to the landowners, its core support base. With respect to the presence of special interests, a comparison of South Korea with Latin America is highly suggestive. Continual pursuit of import-substitution industrialization (ISI) policy fostered a close nexus of interests around it. The cluster of powerful interests impeded any move from the status quo to a new strategic policy that could hurt those interests. In a new nation like South Korea, land reform is the most urgent issue: how to distribute land and extract resources from it. Land reform in agricultural economy will affect who gains what, and finally can change income redistribution.<sup>9</sup> In fact, the Syngman Rhee government had been slow to implement the reform, recognizing its

redistributive outcome and the potential for a large backlash.

That's why land reform was undertaken in 1950-1951 during the war, despite being passed earlier in parliament. The momentum for change came from outside. North Korea and the Soviet occupation implemented a sweeping land reform in March 1946 in a way that destroyed the basis of landed wealth that had existed in Korea for centuries.<sup>10</sup> The revolutionary redistribution of land that took place when North Korea occupied South Korea during the summer of 1950 had liquidated landlords as a barrier to military hegemony. Land reform was a reaction to revolutionary land redistribution carried out by the North during the war. The U.S. State Department recommended land reform in South Korea in 1947 to show a strong commitment to keep ROK safe from the Soviet influence. Land reform was one of the necessary safeguards that needed to be placed before leaving, in association with financial assistance and supervision through the World Bank.<sup>11</sup> The United States forced the Rhee government to implement land reform that the National Assembly had passed in 1949.

Land reform would not have been implemented if the Korean War had not occurred. But early attempts by United States Army Military Government in Korea (USAMG) were continually postponed by the Korean advisers in USAMG, many of whom were large landowners. Only a partial land reform was undertaken in March 1948 in the last months of military rule—"partial" because it was confined to those rental lands formerly owned by the Japanese, less than twenty percent of total lands.<sup>12</sup> The Korean War thus became a great equalizer by redistributing land to peasants. Instantly, a landlord class, the ruling elite of Korea for centuries, was wiped out by the war.

The yanban aristocracy exercised an extraordinary degree of influence over both their state and society. Not only did they own much of the land, the main form of wealth; through their control and manipulation of the state civil service examinations, strategic intermarriage (including the provision of royal consorts), and the formation of active yanban associations at the local level, they were also able to maintain a position of political power from one generation to the next that invariably rivaled, and not infrequently surpassed, the power of the Choson kings. Such wealth and power, moreover, were sustained within a society as a whole by occasional top-down marginal adjustments and reforms in the distribution system and by widely diffused neo-Confucian cultural and ideological norms articulated and

propagated by the yanban themselves. This formidable array of economic, political, and normative resources made the yanban as a class virtually impervious to attack from either the state or other segments of society.<sup>13</sup>

There is a distinction between the landlords as a class on the one hand and the bourgeoisie created after industrialization on the other. Unlike the traditional landlords, the South Korean bourgeoisie has remained “estranged from the very society in which it continues to grow,” though they have a plenty of wealth. The Korean landlords never recovered from land reform. The countryside, a place of landlords, would have dominated the country both politically and socially because a small aristocratic group of landowners remained powerful enough to rule over a large, passive peasant mass. The Rhee oligarchy collapsed because the armed forces in South Korea remained in the dispute due to massive electoral fraud. The neutral behavior of the military was regarded favorably by the public.

According to Huber, Rueshmeyer, and Stephens, capitalist development downgrades the power of the landlord class and upgrades the influence of the working class and middle class.<sup>14</sup> However the power of the landlord as a class was made impotent in Korea during the war. The landed gentry continued to be prevalent in Korea after colonial rule ended. Their influence came from land ownership. The post-colonial land reform was the key transformation that destroyed the power of landlords and provided institutional foundations for economic development. Land reform in Korea constitutes the core of what Lipset called the social requisite for economic development. Korean experience fits what Lipset says on the relationship between prosperity and democracy.<sup>15</sup> He argues that prosperity is a necessary condition for democracy. Democracy is more likely to be established once economic well-being is attained.

First of all, land reform removed landlords from power.<sup>16</sup> The disappearance of landlords from the center removed the barrier to radical change which was later initiated by the military elite in 1961. Second, land reform made available a large source of labor force whose use in an unlimited way contributed to export-centered industrialization.<sup>17</sup> The Korean state’s strategic maneuvering room was widened because no rural elites now could challenge its development program. Third, the redistribution effect of land reform proved to have a broadly equalizing result on development in Korea.<sup>18</sup> In short, land reform removed what Mancur Olson calls created social rigidities blocking efficient allocation

of resources and effective decision-making. As Olson argues:<sup>19</sup>

There is for practical purposes no constraint on the social cost such an organization will find it expedient to impose on the society in the course of obtaining a large share of the social output itself. . . . The organizations for collective action within societies that we are considering are therefore overwhelmingly oriented to struggles over the distribution of income and wealth rather than to the production of additional output—they are “distributional coalitions” (or organizations that engage in what, in one valuable line of literature, is called “rent seeking”).

The importance of land reform lies, Olson suggests, in the elimination of the Korean landlords as a class.<sup>20</sup> Its historical legacy is to remove “one of the major social obstacles to full industrialization and simultaneously enhancing the role of the bourgeoisie in South Korea’s economy and society.”<sup>21</sup> Land reform in South Korea probably would have been much delayed if the North Korea had not executed the reform. Regime competition was found in land reform conducted by the Rhee government. The historical importance of land reform can be clearer if we imagine that there had been no Korean War. No Korean War, no land reform. As historian Carter J. Eckert has written:

Land reform in the South, moreover, especially that executed by North Korean occupation forces during the Korean War, also eliminated the Korean landlords as a class, thereby removing one of the major social obstacles to full industrialization and simultaneously enhancing the role of the bourgeoisie in South Korea’s economy and society.<sup>22</sup>

The importance of land reform success in subsequent development is seen with a comparison of Korea with Latin America where land reform had failed to remove the landlords. The elites in Latin America created institutions that preserved their hegemony, such as a narrow franchise for voting, restricted distribution of public lands and mineral rights, and low access to schooling. In countries like Mexico, Chile, and Peru up through the early 20<sup>th</sup> century, land was redistributed away from indigenous populations and into the hands of a small group of landowners.



## **The Korean War and the Role of the United States in State Formation**

The Korean state became strong after the war in terms of extracting resources and monitoring societal capital. Robert H. Bates has put forward a “no state, no development” thesis, implying that state capacity means the transformation of the uses of its power to transform a means of “appropriating wealth into an instrument of its creation.”<sup>23</sup> His concern is to look for the conditions which make possible the creation of wealth and the provision of security. Bates’ hypothesis is highly suggestive in reminding us the role of the state in shaping social change. The presence of the U.S. troops stationed after the war constitutes what Bates considers one of the basic elements for development. The meager geopolitical function of the state in South Korea was then assisted by the United States.

The provision of security and the creation of welfare constitute the basic ground for the conception of development. Bates’ conception is broader than Lipset’s, whose perimeter is limited to political development. Conditions or requisites differ, depending on historical circumstances over time and space. The Korean War provides what Bates conceives of as the conception of development. War experiences made the South Korean state a specialist in the use of violence. The coercive capacity of the South Korea state grew suddenly, from a simple power with a mere 100,000 armed forces to a formidable power with a force of 600,000. America’s massive assistance to South Korea during the cold war period contributed to the making of key components of the anti-communist nation such as the state and the armed forces. Centralization built up after the Korean War went far beyond the measure of autocracy that the United States endorsed as a necessary evil. War has been the single most important influence on the development of central state authority in Korea.

This enlarged organizational cohesiveness proved highly effective in intervening to control civilian elites in political turmoil. The Korean War provided the Korean middle-class officers with the professionalization which created a firm commitment to modernization and nationalism.<sup>24</sup> The military grew strong enough to maintain military regimes for more than two decades. The military and civilian bureaucrats are two groups that were first exposed to modernity. These groups were more likely to participate in modernization than any other group. History shows that the military overthrew the rural elite, and ended the traditional political system. No other group was able to take the lead in mobilizing organized opposition to the ruling oligarchy that

had long ruled over the country. American military aid allowed South Korean regimes to bypass consulting their subject populations or seeking their consent.

The involvement of the United States in South Korea would be quite different if the Korean War had not occurred. The United States after the war had no alternatives to forming a security alliance with South Korea, being clearly conscious that many developing countries caught up in the cold war could choose to fall under Soviet influence. An alliance with the United States has served Korea well, enabling it to enjoy peace and stability for more than half a century. Without it economic prosperity would not have been possible. The presence of U.S. troops in Korea has played a key role in moderating security competition and promoting stability over the past fifty years.

What about Korean-U.S. relations if there been no Korean War? In the beginning, the United States had no interest in Korea to the extent to which it had withdrawn their troops in 1949. More importantly, Secretary of State Dean Acheson had publicly excluded both South Korea and Taiwan from the American “defense perimeter” in the Western Pacific, though it should be recognized that his intention was to signal that the United States would not intervene in the Chinese civil war.<sup>25</sup> Whatever Acheson’s real intention, American aid and commitment to Korea would have been much less without the Korean War.<sup>26</sup> The war helped the administration to activate NSC-68, whose fortunes had been unclear until the Korea War.<sup>27</sup> The United States came to assist South Korea in defeating North Korean forces and to defend South Korea. After the war, South Korea was under heavy pressure from the United States, which asked the Korean government to make domestic policy reforms. The U.S. aid program asked South Korea to achieve “self-sufficiency” so as to reduce its aid commitments. The shift to export-led strategy under the Park Chung Hee government should be understood in terms of the conjunction of external pressure with domestically driven institutional changes.

The Korean War enabled South Korea to consolidate itself as a junior ally for the United States. The great crescent policy of Acheson aimed to contain Soviet threats from the north. For it to be successful, a strong U.S. defense commitment and economic assistance were essential to keep the fragile Korean economy after the war from submitting to communist influence.<sup>28</sup> The ruling elites in Korea had taken advantage of the U.S. military assistance to consolidate its power. Power consolidation helped to enhance state capacity to control society and manage the economy.

Table 2 indicates the annual amount of U.S. economic assistance to South Korea from 1950 to 1960. An average of more than \$200 million a year was granted. That amount was equivalent to 70 percent of Korea's domestic revenue of \$456 million, for instance, in 1958.<sup>29</sup> The role of the United States was crucial in the 1950s to the extent to which American aid was the only available source of the ROK government budget during those years. Moreover, U.S. military aid was considerably higher than aid for all of Europe, and was four times the U.S. aid to Latin America as a whole.<sup>30</sup> The United States as an external force helped the postwar Korean state to back economic development plan designed by President Park. Under military control and U.S. sponsorship, South Korea was able to pursue export-oriented industrialization on the basis of low wages. Also, the United States opened its market to Korean producers during the cold war.

Year	Total Value	Year	Total Value
1951	106542	1956	326705
1952	161327	1957	382892
1953	194107	1958	321272
1954	153925	1959	222204
1955	236707	1960	245393
Data Source: Jung-En Woo (1991), p. 46.			

The United States suffered some 30,000 dead among a total of about 137,000 casualties. It ensured South Korea's continual security through a formal defense commitment and a close bilateral alliance which involves a combined defense posture and the sustained stationing of tens of thousands of U.S. troops in South Korea. A large amount of American aid flowed into the ROK as a part of strengthening bilateral alliance to support the development and improvement of the armed forces, covering almost 80 percent of the ROK's military purchase and most of its technical training and advanced weapons. The U.S. also provided an enormous amount of economic assistance. The geostrategic significance of Korea enabled South Korea to put the United States in a position to make strong commitment to guarantee the security of Korea. Economic prosperity is more likely to be attained when military security is easily secured at a cheap price.

The Korea-U.S. security alliance forged after the war functioned as an external guarantee that enabled the Korean state to concentrate its

resources on economic development in a broad sense. If the Americans had removed their security blanket from Korea, Korea might well have returned to the destructive power politics that it had spent the last fifty years trying to banish. The United States provided a substantial flow of aid for Korea when it was most needed, fostering procedures for cooperation and liberal trading policies. Until the 1970s it also provided the world with a strong anchor for international monetary stability. The huge expansion of trade in international capitalist economies transmitted a dynamic influence throughout the world economy.

War made Korea heavily dependent on the United States for security, recognizing that the Korean state's geopolitical military function was found to be extremely inadequate. There was no alternative route to the postwar state, which was able to command the allegiance of its citizens when war memories were still vivid enough to make them involuntarily obedient. It was impossible to demand allegiance before the war broke out. The Rhee government after the war could last, relying on brutal force, in the name of emergency, without creating consensus. The powerful impulses of the mass in the postwar Korea were the desire for security and freedom from war. These impulses were amplified by American aid during the years following the war. Still, citizens in South Korea felt the war's impact.

Weakening war memories made the citizens awaken to their basic political rights and overthrow the Rhee regime, which failed to provide basic minimum needs. General Park took power in a military coup, and it was deficient in legitimacy even after the election. The Park government concentrated on achieving economic development in order to make up for the democratic deficit. In the early phases of his presidency, Park showed his government to be more responsive to the needs of a greater range and number of citizens. The Korean War immediately enabled the state to begin a massive conscription of its citizens for a military buildup. State expansion continued through the rapid industrialization of the early 1960s, when the Park government initiated export-led industrialization in alliance with business elites. The ambitious Park regime made a decisive shift toward direct intervention in economic development to guide the business sector in exporting merchandise and goods. The state showed no tolerance for independent labor unions, since its interest was in lowering labor costs so that business could be competitive in the world market.<sup>31</sup> Economic development was enhanced at a junction of coercion and capital that from very early on fortified state power, but at the price of large concessions to the country's family-run conglomerates (*chaebol*).

The Park regime, based on this coercive state structure, made an alliance with business elites to extract economic resources. It made large concessions of government power to business, which in turn provided economic resources and taxes necessary to maintain a state bureaucracy. In short, the state bartered state-guaranteed privileges for statemaking using coercive power. The state encouraged big business to achieve economic success to gain the resources for keeping up its cold war with the North. It gave priority to commercial activities, which are the foundation for making possible security provision. Capital-intensive state formation began once coercion-intensive state formation had been accomplished.

The Korea state took shape in a capital-scarce environment devastated by the war. The environment was also “coercion-abundant” because the Korean War militarized society. The sheer number of the armed forces was swollen from a mere hundred thousand to several hundred thousand right after the war. The number has stayed the same until now. State builders in Korea depended on armies to stave off their northern brethren’s invasion. For this they needed an army as a reliable ally. But they lacked the money to satisfy the armed men, and allowed them rent-seeking by the army and sometimes bought their allegiance using corruption. In fifteenth century Russia, the ruling elites bought officeholders with expropriated land from conquering. But in modern Korea there was not enough land to distribute away.

### **State Formation in South Korea**

A developmental state in South Korea succeeded in making and organizing capitalists. The key to economic success in South Korea lies in synergic relationship between the state and the business class. As a condition for an economic miracle in South Korea, David C. Kang emphasizes the small number of actors who are instrumental in saving the transaction costs, facilitating smooth communication, and monitoring easily.<sup>32</sup> What he calls “mutual hostility” between state managers and business elites makes possible mutual constraints and dependence, which block excessive rent-seeking and corruption. Crony networks could become the asset in lowering transaction costs. Transaction costs are shrunken in a regime in which distributional coalitions are forbidden to be made.

The existence of a strong state becomes a central issue in evaluating the relative merits of political-economic and ideological-cultural explanations of Korean political development. It also provides a good opportunity to explore the implications of commonly held notions of

statist principles for the practical organization and design of a central state. The Korean experience is particularly appropriate for this purpose because the Korean government began from scratch. The Korean War marks the beginning of state formation in South Korea. The post-colonial state was not yet a national state before the war broke out. The Japanese defeat and external intervention by the victors liberated Korea, which had been a Japanese colony for thirty-eight years. As I said in the above, economic growth in South Korea was surprisingly rapid and expansive. This feat, the so-called “miracle on the Han River,” was achieved not by right-wing capitalists, but by soldiers in uniform.

A huge literature exists to highlight the importance of the role of the Korean state in promoting economic development since the 1960s when Park initiated economic planning via state guidance.<sup>33</sup> The key to swift economic expansion was its dirigisme regime in which the state intervened to correct for market failures. Despite its quantity, the literature is still insufficient to account for a mechanism linking centralized state authority to economic success. The mechanism is found in state formation process during and after the Korea War.

Charles Tilly persuades us to understand that the trajectories of state formation differ on varying historical junctures throughout world history. He highlights complex relations between the state and capital, depending on which one, either the state or capital, is more rich or scarce. Building up a millennium European experience, he extends the state formation path to later developers of states—the Third World countries. We can benefit from applying his approach to the case of Korea. His seminal work, *Coercion, Capital and European States*,<sup>34</sup> is insightful in thinking over the impact of the Korean War on the state formation pattern in Korea, in addition to understanding his original theme.

The state formation path in postwar Korea resembles what happened in Russia and Hungary. The circumstances that faced state builders in postwar South Korea are similar to those in Russia during the fifteenth century; both involved sharing scarce capital and abundant weapons. They had to rely on coercion for state making. There existed no powerful bourgeoisie in post-colonial Korea. The departing Japan left little capital behind them, but bequeathed to the post-colonial state military forces drawn from and modeled on the repressive forces for colonial administrative effectiveness. The military elites attempted to coopt scarce domestic capital and built extensive bureaucracies. The weakness of capital facilitated mastery of the soldiers over the state.

The armed forces and police remained the most effective organizations operating in the territory. More importantly, the police and

the army were filled with men who had previously occupied subordinate positions in colonial armies. An example was Park Chung Hee, who was a former officer in the Japanese occupation army. The military elites could have ruled until the success of economic expansion began to undermine the military's might.

Charles Tilly posits three different paths to state formation throughout world history.<sup>35</sup> Different paths are a combination product, depending on the relative distribution of coercion and capital. The capital-intensive state reigns when the market is well developed. Coercion-intensive state formation occurs if coercion prevails over market and exchange. In between, an intermediate path of state formation is possible, where holders of coercion and capital bargain after struggles. The challenge of war with the North Korean military state strengthened the state structure and fortified the South Korean state. Thus there were two similarly coercive states across the border from one another. State making and war making are closely associated with each other, constituting synergistic relations. Korean military power kept on growing. Compared with other developing countries around the world, the Korean armed forces are now much larger. The number of soldiers per 10,000 people in South Korea, for example, is more than 145, which is nine times larger than Brazil's military (16 soldiers per 10,000 people). South Korea has kept a large standing army of about 600,000 since the Korean War.

Charles Tilly observes three broad patterns of state formation throughout European history:

In the coercion-intensive mode, rulers squeezed the means of war from their own populations and others they conquered, building massive structures of extraction in the process. . . . In the capital-intensive mode, rulers relied on compacts with capitalists—whose interests they served with care—to rent or purchase military force, and thereby warred without building vast permanent state structures. . . . In the intermediate capitalized coercion mode, rulers did some of each, but spent more of their effort than did their capital-intensive neighbors on incorporating capitalists and sources of capital directly into the structures of their states.<sup>36</sup>

Coercive state formation had to give in capital-intensive state formation as capital grew enough to demand free autonomy from state guidance with respect to investment decision and financing methods. Although the post-coup military pressured business to invest in

unprofitable industries, the business community became equally powerful as time went by.

What would happen to South Korea divided without the Korean War? Without the war land reform would have not taken place; landlords would have remained powerful enough to keep industrialization in check. Without the war the Korean military would not have developed an organizational cohesiveness to intervene in civilian affairs and establish long-time rule. After the war, the military became the only effective, highly organized institution in a position to control the state. Most modernizing countries like South Korea after the war, as Huntington says,<sup>37</sup> suffered from “a shortage of political community and of effective, authoritative, legitimate government.” The vacuum of authority and legitimacy was often filled by military rule.

The strong Korean state that emerged out of the war was remarkable in a number of respects. In early 1950 just before the war, the army in South Korea had only six battalions of artillery, armed with a lightweight version of the American 105mm howitzer.<sup>38</sup> From a modernizing perspective, old landlord elites were wiped out after the war. Rhee survived the war despite not having won the victory. More importantly he was now in a more favorable position which no one could have challenged, since strong rivals including landlords disappeared during the war. War mobilization created unprecedented state growth in various ways. Prior to 1950, the South Korea state had attempted a full mobilization of a society’s material and human resources. The Korean War brought forth two such mobilizations and was thus the first modern war that it had ever had.<sup>39</sup> Over the course of the war not only did the South Korean military grow. The police, who bore the brunt of forceful control, rose to a peak of 75,000 during the Korean War and had played important,<sup>40</sup> largely military roles in the elimination of guerrillas until 1955. The Liberal Party needed them and yet could not prevent gradual diminution of their numbers as military needs ceased. In 1948 President Rhee initiated the National Security Law to establish public order, which enabled the government to crush internal dissent.

The rapid expansion of security forces was all the more remarkable considering the country’s fiscal difficulty of supporting a 100,000-man force before the war. The military was now the most cohesive and well-organized group in postwar South Korea. National conscription for all male adults, which lasted for thirty-months, provided industry with a highly disciplined labor force compared with other countries without military discipline.<sup>41</sup> Wartime mobilization involves the relationship between the economic base and the form of state organization. War



mobilizations compel states to extract a much larger share of a society's resources than are usually collected through peacetime taxation. A state at war is often compelled to extract revenue from almost all areas of societal production, thus molding the state apparatus in a way that complements and exploits the strengths and organizing structures of economic activity. In short war mobilization leads to a strong state.

Tilly suggests that the role of coercion and war determines decisive variations in the paths of state formation in European history. He highlights two features that affect the entire process of state formation in history. First, organization of coercion and preparation for war are important pointers to varying state structure. Second, interstate relations change through war and preparation for war. Following the lead of Tilly, I argue that the Korean War had an enormous impact on state formation. For Tilly, the interplay of capital, coercion, and geopolitical location determines the state formation of a given polity. Tilly's conception of state formation types is suggestive in discussing the trajectory of the Korean state formation after the Korean War. South Korea is still at war with North Korea. As Bruce Cumings remarks,<sup>42</sup> the armistice means that "the war solved nothing: only the status quo was restored," indicating war might occur again. The possibility that war can occur again provides a propitious condition for the military to grow influential.

State formation is path-dependent. What happened to inchoate state after the war shaped the path the state had taken. The state-centered mobilization of economic resources and manpower that accompanies military conflict during the war is commonly conceded to have had this effect. However, the centralizing influence of the Korean War on the society has not been accorded the precedent-setting importance it deserves.

What makes the transformation of Korea all the more striking is that it occurred during a mere generation. The pace of change was swift—a mere three decades. After the war, Korea underwent a dual transformation to achieve both prosperity and democracy. First, South Korea has been successful in achieving an economic miracle. It has risen rapidly to a pretty rich country now from one of the poorest in the world since the Korean War. Another transformation is political—from an autocratic regime to a democratic polity. Political change also took place rapidly. Dual transformation came in a sequence of what Fareed Zakaria calls "illiberal democracy."<sup>43</sup> Economic development came first while the political regime remained conservative. Democratization eventually arrived in the late 1980s after economic development had persisted for three decades.

In sum, war making (attacking external foes) is associated with state making (attacking internal rivals). The Korean War enabled the inchoate state from scratch to create both a military establishment and bureaucratic governance. The latter institutions played a key role in the developmental process thereafter. The Korean military was a child of the American cold war strategy in which American assistance and training programs built the South Korean military into a powerful institution that was destined to govern the country. The Korean War in particular facilitated the strong role of the Korean military that was weak in comparison with other institutions before the war broke out. Thus, the impact of war on the Korean state was felt to be huge. The Korean state at the beginning of the Korean War was a mass of unborn departments, incapable itself of generating energy to keep its own business in plausible vibration.

### **War, Economic Development, and Democracy in South Korea**

The Korean War ended up without a clear victory. The two Koreas have remained divided until now, still caught up in a cold war. The war in general contributes to making the welfare state, which is a response of the ruling elites to participation from the masses during the war. However, the South Korean state had no need to broaden citizenship to strengthen welfare primarily because the war persisted. In other words, the unfinished war had impeded democratic development which in turn opened the gate for the development of the welfare state in correspondence to the level of economic development.

In Korea, the military regime kept down left-wing organizations in permanent cold war circumstances where the North military regime remained highly hostile. State-led export promotion controlled labor unions to provide domestic firms with cheap labor, which is the key to competitive advantages.<sup>44</sup> Democracy was said to be postponed until communist threats disappeared. In addition, the regime relied on communist threats to keep the political opposition from challenging establishments centering on a developmental state. The subsequent historical trajectory of the Korean War was conditioned by the rise of military authoritarianism, which ruled for more than four decades. Korean leaders since Park Chung Hee have based their legitimacy on economic growth. Authoritarian regime needed to demonstrate economic achievements to make up for the lack of political legitimacy. The military's embrace of export-led strategy was a function of its desire to enhance legitimacy through economic development.

The political data in Figure 3 come from the annual report on the state of freedom around the world by Freedom House. States are categorized as “not free” (authoritarian), “partly free” (semi-democratic), and “free” (democratic) on the basis of political rights and civil liberties, the ability of citizens to turn out incumbent governments through electoral means, and their ability to organize political parties and express critical views without government interference.<sup>45</sup> According to the Freedom House survey, Korea has been classified as free since 1993.

A new theory of modernization holds that democracy is more likely to emerge under certain conditions. The Korean case demonstrates simultaneous achievements of growth and democracy. It is unrealistic to expect democracy where certain conditions do not exist. The Park regime’s economic expansion was a basic driver of democratic change. A growing sense of security in association with economic development encourages people to demand free choice in politics and self-expression, which leads to democracy. The Chun Doo Hwan regime, the authoritarian successor after Park’s assassination in the early eighties, found it increasingly costly to check citizens’ demand for democracy. An enlarged standing army during the war, fortified by necessity for external purposes, is likely to specialize in internal control, with little prospect of going to war.

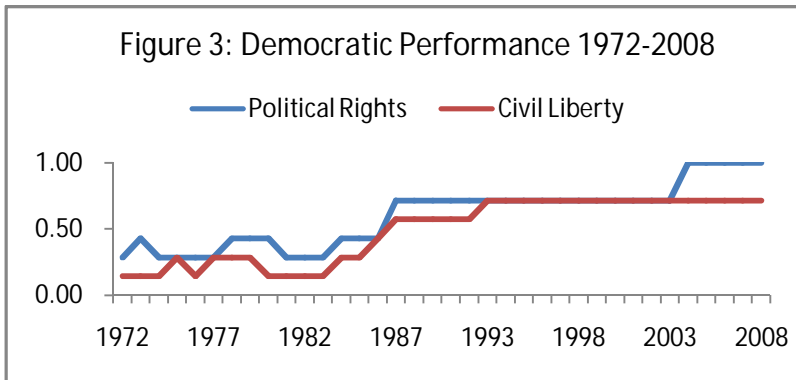
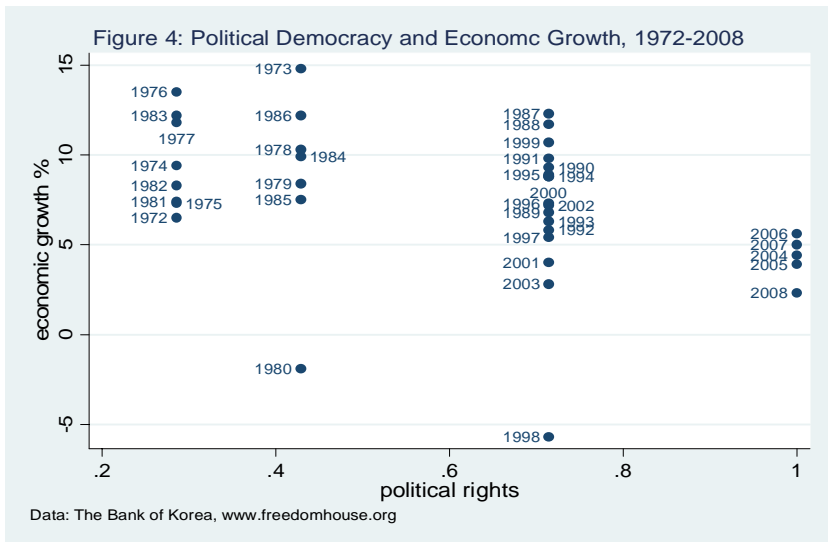


Figure 4 indicates that high growth is associated with fewer political rights. The Korean economy grew more during the period of 1960-1990 than in later periods. Financial crisis in 1997 badly affected economic performance despite the fact that the 1990s governments were free. The relationship in Korea between economic development and political democracy accords with what Lipset refers to concerning the economic requisites for political development. The Lipset hypothesis is

empirically supported by a cross-country study.<sup>46</sup> Democracies cannot last if they start without economic requisites. Continuous economic growth until 1990, shown in Figure 2, provides a fertile soil for nurturing democracy. Authoritarian rule is incompatible with the rise of a strong middle-class whose demands for autonomy from the state lead onto the democratic path.

The longtime dominance of the military gave birth to a united democratic opposition whose candidate, Kim Dae Jung, seriously threatened President Park in the 1971 presidential election to the extent that Park was almost defeated. In response to the threats, Park amended the constitution in 1972 in a way that allowed him to be safe from political challenges. Electoral democracy completely ended in 1972 when an extreme type of authoritarian regime, called Yushin, was imposed. Rule by decree replaced the rule of law.<sup>47</sup>

An uneasy alliance between the state and business following the military coup created the fruits of what Kang calls “mutually hostile” relations between them. The business elites proved themselves formidable men of the marketplace. Their ceaseless economic trade activity and economic expansion provided a financial base for state activity. On the basis of economic performance, South Korea proved to be superior to North Korea in terms of acquiring military procurement in the long run. Regime competition with the Kim Il Sung dictatorship was already over during the early 1980s.



Autocratic rule had ended by surprise in 1979 when Park was assassinated by his close aides. The ruling oligarchy was divided over how to respond to active student movements demanding full democratization. Park and his hawkish aides relied on brutal force to repress his critics. On the other hand, the “soft-liners” argued for using convincing methods instead of repression. A more harsh type of dictatorship led by Chun Doo Hwan, another military figure, replaced Park. Military rule continued until the first civilian government came in 1992 though democratization that started in 1987 and pressured the military elite to stay out of power. The rest is history as Figure 1 indicates consolidation of electoral democracy since 1992.

During the Cold War, the process of state building—which includes forming a central state structure, extracting resources, organizing a military, and establishing mass education—inevitably promoted nationalism in Korea, but it was restrained and muted by the overlay of the ideological conflicts between the superpowers. Korea created a state led by a “benevolent” autocrat; but it was totally dependent on cooperating with business elites whose interests dictated cutting down wages and salaries and controlling the labor market. As Michael Mann explains,<sup>48</sup> the state serves two functions. Not only does it perform the geopolitical function of prosecuting external war; it also has the domestic function of repressing discontent.

The Korean War helps us recognize how war making and its organizational consequences affected the different combined trajectories of security and capital. The South Korean state could wield its predominant force to control economic expansion. Its particular coercive capacity came from security dominance due to the Korea War. Relations with the enemy in North Korea fortified the state structure. Being dependent only on coercion, North Korea erred on two fronts. It failed to create capital, which is conducive to strengthening a sustainable state capacity. Moreover, the North failed to organize an effective state, which helps transit to democracy. As a result of both failures, the North Korean state has come close to a breakdown. The South’s experience exemplifies the opposite, resulting in a democracy.

## Notes:

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<sup>1</sup>This version of the article has benefited from thoughtful and generous comments by Jonathan D. Pollack (U.S. Naval War College) and Young Soon Yim (Sungkyunkwan Univeristy).

<sup>2</sup> Following is a short list of works that deal with various aspects of the Korean

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War: Bruce Cumings, *The Origins of the Korean War*, vol. 1: *The Roaring of the Cataract* (Princeton, N.J.: Princeton University Press, 1991); Cumings, *The Origins of the Korean War*, vol. 1: *Liberation and the Emergence of Separate Regime, 1945-1947* (Princeton, N.J.: Princeton University Press, 1981); Sergei N. Goncharov, John W. Lewis, and Xue Litai, *Uncertain Partners: Stalin, Mao, and the Korean War* (Stanford, Calif.: Stanford University Press, 1993); David Halberstam, *The Coldest Winter: America and the Korean War* (New York: Hyperion, 2007); Allan Millett, *The War for Korea, 1945-1950: A House Burning* (Lawrence, Kans.: University Press of Kansas, 2005); William Stueck, *Rethinking the Korean War: A New Diplomatic and Strategic History* (Princeton, N.J.: Princeton University Press, 2002); William Stueck, ed., *The Korean War in World History* (Louisville, Ky.: University Press of Kentucky, 2004); William J. Williams, *A Revolutionary War: Korea and the Transformation of the Postwar World* (Chicago: Imprint Publications, 1993).

<sup>3</sup> Alice Amsden, *Asia's Next Giant: South Korea and Late Industrialization* (New York: Oxford University Press, 1992); Gregg Brazinsky, *Nation Building in South Korea: Koreans, Americans, and the Making of a Democracy* (Chapel Hill, N.C.: University of North Carolina Press, 2007); Bruce Cumings, *Korea's Place in the Sun* (New York: Norton, 2005); Stephen Haggard, *Pathways from the Periphery: The Politics of Growth in the Newly Industrializing Countries* (Ithaca, N.Y.: Cornell University Press, 1990); John Lie, *Han Unbounded: The Political Economy of South Korea* (Stanford, Calif.: Stanford University Press, 1999); Robert Wade, *Economic Theory and the Role of Government in East Asian Industrialization* (Princeton, N.J.: Princeton University Press, 1990); Jung-En Woo, *Race to the Swift: State and Finance in Korean Industrialization* (New York: Columbia University Press, 1991).

<sup>4</sup> It was Barrington Moore who stressed that war cemented the demise of a landed aristocracy and the ascent of the bourgeoisie, facilitating the rise of democracy. See Moore's *Social Origins of Dictatorships and Democracy: Lord and Peasant in the Making of the Modern World* (Boston: Beacon Press, 1966).

<sup>5</sup> Angus Maddison, *The World Economy: A Millennial Perspective* (OECD, 2001).

<sup>6</sup> On the importance of trade for political economy, see Peter Katzenstein, *Small States in World Markets: Industrial Policy in Europe* (Ithaca, N.Y.: Cornell University Press, 1985).

<sup>7</sup> Sequential evolution of economic development and political democracy reflects what Przworski and Limougi call the thresholds of democracy beyond which democracy can endure. See Adam Przworski and F. Limongi, "Modernization: Theories and Facts," *World Politics*, vol. 48, pp. 253-273.

<sup>8</sup> Leary P. Jones and Il Sakong, *Government, Business, and Entrepreneurship in Economic Development: The Korean Case* (Cambridge: Council on East Asian

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Studies, 1980), p. 35.

<sup>9</sup> The U.S. military government in Korea closely examined the land reform issue and took important measures between 1945 and 1948. However, thorny problems remained unsolved when the war broke out in 1950. See Greg Branzinsky, *Nation Building in South Korea*, for details.

<sup>10</sup> Land reform in North Korea confiscated landholdings of about 5,000 Korean landlords as well as Japanese landholding. However, many of the northern landlords had already fled by the time the reform was undertaken. For land reform in North Korea, Bruce Cumings has noted that “the reform left the new regime with a vast reservoir of popular goodwill.” Cumings, *The Origins of the Korean War*, p. 417.

<sup>11</sup> *Ibid.*, p. 47.

<sup>12</sup> Carter J. Eckert et al., *Korea: Old and New A History* (Korea Institute: Harvard University 1990).

<sup>13</sup> *Ibid.*, pp. 95-96.

<sup>14</sup> Dietrich Rueschemeyer, Evelyne Huber, and John D. Stephens, *Capitalist Development and Democracy* (Chicago: University of Chicago Press, 1992).

<sup>15</sup> Seymour Martin Lipset, “Some Social Prerequisites for Democracy: Economic Development and Political Legitimacy,” *American Political Science Review*, 53, 1959: 69-105.

<sup>16</sup> President Rhee vetoed the land reform bill that was passed in the legislature, and land reform was delayed until May 1950. He was under pressure from landlords. See Gregory Henderson, *Korea: The Politics of Vortex* (Cambridge: Harvard University Press, 1967), pp. 257-258.

<sup>17</sup> Eckert et al., *Korea: Old and New*, pp. 400-401.

<sup>18</sup> Haggard, *Pathways from the Periphery*, p. 36.

<sup>19</sup> Mancur Olson, *The Rise and Decline of Nations: Economic Growth, Stagflation, and Social Rigidities* (New Haven, Conn.: Yale University Press, 1982), p. 44.

<sup>20</sup> Mancur Olson *The Rise and Fall of Nations* (New York: Oxford University Press, 1984).

<sup>21</sup> Carter Eckert, “The South Korean Bourgeoisie: A Class in Search of Hegemony,” in Hagen Koo, ed., *State and Society in Contemporary Korea* (Ithaca, N.Y.: Cornell University Press, 1993), pp. 95-130

<sup>22</sup> *Ibid.*, pp. 95-130.

<sup>23</sup> Robert H. Bates, “The Role of the State in Development,” in Barry R.

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Weingast and Donald A. Wittman, eds., *The Oxford Handbook of Political Economy*, pp. 708-722.

<sup>24</sup> Samuel P. Huntington *Political Order in Changing Societies* (New Haven, Conn.: Yale University Press, 1968), p. 205.

<sup>25</sup> John Lewis Gaddis, *We Now Know: Rethinking Cold War History* (Oxford: Oxford University Press 1997), p. 72.

<sup>26</sup> Donald Stone MacDonald, *U.S.-Korean Relations from Liberalation to Self-Reliance: The Twentieth-Year Record* (Boulder, Colo.: Westview Press, 1992), p. 112.

<sup>27</sup> John Lewis Gaddis, *Strategies of Containment: A Critical Appraisal of Postwar American Security Policy* (New York: Oxford University Press, 1982), p. 109.

<sup>28</sup> Michael Schaller "Securing the Great Crescent: Occupied Japan and the Origins of Containment in Southeast Asia," *Journal of American History*, vol. 69, No. 2, pp. 392-414.

<sup>29</sup> Woo, *Race to the Swift*.

<sup>30</sup> Cumings, *Korea's Place in the Sun*, p. 307.

<sup>31</sup> Jang-jip Choi, "Political Cleavages in South Korea," in Koo, ed., *State and Society in Contemporary Korea*, pp. 13-50.

<sup>32</sup> David C. Kang, "Transaction Costs and Crony Capitalism in East Asia," *Comparative Politics*, July 2003, 439-458.

<sup>33</sup> As a recent update for this genre, see David C. Kang, *Crony Capitalism: Corruption and Development in South Korea and the Philippines* (Cambridge: Cambridge University Press, 2002).

<sup>34</sup> Charles Tilly, *Coercion, Capital, and European State, AD 990-1992* (Cambridge: Blackwell, 1992).

<sup>35</sup> *Ibid.*

<sup>36</sup> *Ibid.*, p. 30.

<sup>37</sup> Huntington, *Political Order in Changing Societies*, p. 2.

<sup>38</sup> Millett, *The War for Korea*, p. 15.

<sup>39</sup> Huntington, *Political Order in Changing Societies*, p. 200.

<sup>40</sup> Security was already under the Koreans though the United States military government was nominally in control. Both the Korean National Police and the Korean Constabulary doubled in size, providing a security force of about 80,000 by 1947. See Millett, *The War for Korea*, pp. 8-9.



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- <sup>41</sup> Cumings, *Korea's Place in the Sun*, p. 303
- <sup>42</sup> *Ibid.*, p. 298.
- <sup>43</sup> Fareed Zakaria, "The Rise of Illiberal Democracy." *Foreign Affairs*, vol. 76 (September-October, 1997), pp. 22-41.
- <sup>44</sup> Hagen Koo, "The State, Minjung, and the Working Class in South Korea," in Koo, ed., *State and Society in Contemporary Korea*, pp 131-162; Lie, *Han Unbounded*, p. 98.
- <sup>45</sup> Raymond D. Gastil, *Freedom in the World* (Westport, Conn.: Greenwood Press, 1985), p. 3.
- <sup>46</sup> Robert J. Barro, *Determinants of economic Growth. A Cross-Country Empirical Study* (Cambridge, Mass.: MIT Press 1997).
- <sup>47</sup> The Freedom House survey designated South Korea as "not free" from 1972 to 1976 when Korean politics decayed, moving from soft to strong authoritarian rule. See Figure 1 for rating on the regime characteristics in various years since 1972.
- <sup>48</sup> Michael Mann, *The Source of Social Power*, vol. II, *The Rise of Classes and Nation-state, 1760-1914* (Cambridge: Cambridge University Press, 1993).

