Democracy against Labour: The Dialectic of Democratisation and De-democratisation in Korea

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ABSTRACT This article accounts for why and how democratisation in Korea, although facilitated by social forces from below, has contributed to deepening social polarisation by accelerating economic liberalisation. In assessing this seemingly paradoxical dynamic of democratisation in Korea, this article offers an analysis of contemporary Korean politics and political economy alternative to currently prevailing approaches. Prevailing approaches tend to frame recent socio-economic and political changes in Korea brought about by democratisation and the financial crisis of 1997-98 as the encroachment of the market over the state, and of the external (the global) over the internal (the national), as if these bipolarised categories assume zero-sum relations. This article posits democratisation processes as class and social struggles and such factors as the global economy, the positioning of Korea in the world-system and the history of US intervention, that are typically perceived as external constituents, as active social and class forces. Informed by this framework, this article explores contemporary Korean politics and political economy as a set of contradictory processes of political and economic liberalisation, democratisation and “de-democratisation.”

KEY WORDS: Democratisation, de-democratisation, financial crisis, social polarisation, class struggle

Since the financial crisis 1997-98, South Korea (hereafter “Korea”) has undergone drastic socio-economic and political transformations. One of the defining characteristics of contemporary Korea is that democratisation proceeded not only in parallel with but facilitated economic liberalisation. Korean democracy has advanced on the political level. The first civilian government since the end of the Rhee regime in 1960 came to power in 1992 following intensive democratisation movements from below in the late 1980s. Amid the financial crisis of 1997-98, the opposition party led by Kim Dae-Jung was elected for the first time in the history of the Korean Republic. However, the more democratisation progressed, the more economic and financial liberalisation accelerated and social polarisation deepened, for example, the casualisation of labour and the increasing disparities between the
poor and the rich. This article contends that democratisation in Korea manifests itself as a force against labour and a force of de-democratisation.

This article addresses democratisation in Korea as being simultaneously a process of de-democratisation. This choice of term is intended to refer to more than simply the fact that the politics of democracy entail intrinsic paradoxes and tensions, such as between the principles of freedom and equality and in terms of theory and practice, as Mouffe (2000) argues. Neither does the term “de-democratisation” merely aim at descriptively pointing to the limited nature of democracy in Korea as, for example, the term “conservative democracy” does (Choi 2005). While acknowledging both the conflicting nature of democratic politics in itself and the limited nature of democracy in Korea in particular, this article addresses as de-democratisation the fact that democracy has become a force against the very social forces – the democratisation movements from below that were to a significant extent labour based – that had brought it into existence in the first place. Moreover, the lack of substantive progress at the socio-economic level, beyond procedural democracy, in turn undermines the consolidation of democracy as it nourishes general scepticism about democracy and widespread nostalgia for the military regimes of the past. This tendency materialised in the 2007 election of the conservative Lee Myeong-Bak government, which claimed it would revive a high-growth economy of the type the Park government had achieved. The proposition addressed in this paper is that to understand Korean democratisation as bringing forth de-democratisation shows that democracy is itself a dynamic and contradictory societal process constantly shifting between progress and regression according to the power balance between social forces.

In exploring the origins and socio-political consequences of these contradictory dynamics of democratisation, this article first discusses currently prevailing approaches to contemporary political and economic change in Korea. This is to highlight how recent socio-political changes have been misconceived in terms of a zero-sum relation between the state and the market and the internal (the national) and the external (the global). The paper situates the case of Korea in the context of broader debates on the political economy of development and proposes an alternative approach. Secondly, it assesses democratisation processes – or the dissolution of the Park and Chun regimes – within the context of social and class struggles, of which external and internal forces are integral parts. From this, it shows how a particular class power balance that emerged in democratisation processes gave a particular meaning and content to democracy. Thirdly, it unravels how democratisation and the dominance of right-wing liberals facilitated economic and financial liberalisation, which intensified the impacts of the financial crisis of 1997-98. Lastly, it traces how the financial crisis in turn moved democratisation forward on a political level and simultaneously undermined its socio-economic base by facilitating neo-liberal reforms, whose dynamic this article describes as the dialectic of democratisation and de-democratisation.

Beyond State-Market and Internal-External Dichotomies

The successful transition of Korea from a war-torn impoverished economy to a highly industrialised country within a couple of decades from the 1960s to the 1980s triggered an intensive debate in development studies and political economy. Scholars
and policy makers coming from different political and theoretical traditions turned to the case of Korea to forge their seemingly opposing respective propositions. For instance, neo-classical economists argued that the rapid growth was the result of the minimum distortion of the market or of subordinating development policies to the rule of the market (Kruger 1980; World Bank 1987; Balassa 1988). On the other hand, institutionalists proposed the counterview that successful industrialisation was due to the existence of the developmental state that “distorted” the market or “got the prices wrong” in Amsden’s (1989) famous phrase (see also Johnson 1987; Wade 1983; Woo-Cumings 1999a).

Contention over Korean political economy has intensified in recent years in new contexts. Intensive democratisation movements in the 1980s posed the question of how they affected the developmental state paradigm, whose political system was typically characterised as authoritarian. Similarly, the financial crisis of 1997-98 and the subsequent post-crisis reform raised the questions of whether the dismantling or the perpetuation of the developmental state paradigm, in which the state initiated economic modernisation and industrialisation, caused the crisis, and whether it remained intact, was transformed or dismantled. Some argue that the developmental state had outlived its usefulness if its existence and (temporary) role for development are recognised (Jayasuriya 2001, 2005; Pirie 2008). Others claim that the developmental state remained not only valid but even played an enhanced developmental role in the new era of globalisation (Evans 2008; Johnson 1989; Mosley 2005; Weiss 2000).

While these debates are illuminating, these dominant approaches tend to dichotomise and bipolarise the categories of state and market and internal/national and external/global, and posit these two categories as zero-sum relations; in short, one inevitably loses its autonomy over the other. Neo-classical economists, who perceive state interventionism in the market as the fetter to development, argue that post-crisis reform should be centred on liberating the market from state intervention or severing the former from the latter (Balino and Ubide 1999; Cathie 1997; Krugman 2000). Institutionalists, who conceptualise the developmental state as autonomous from various actors in society and as an agent that “governs the market” and “disciplines the capitalist class,” posit the (developmental) state as potentially immune from and external to democratisation forces on the one hand and the global economy on the other hand. Consequently, they tend to blame democratisation forces from below and “the Wall Street-Treasury-Complex” for vitiating the developmental state from outside (see Wade 1998a, 698, 1998b; Wade and Veneroso 1998a, 1998b). Otherwise, they relegate the social ills of post-crisis Korea to alleged shackles of the anachronistic developmental state regime, such as crony capitalism and corruption, whose problem is confined to the sphere of the political (the lack of transparency) (Lee B-C. 2005), or the mistakes of policy makers who bought too readily into neo-liberal ideology (Chang 1998, 1999; Weiss 2003). These dominant approaches that postulate state-market and internal-external relations as zero-sum relations accordingly tend to frame the contemporary political and social development as a matter of the encroachment of the market and the global over the state and the national, or find the causes of socio-economic change primarily in the changes in the orientation of elites or policy makers.

This article proposes an alternative reading of democratisation and the causes of the financial crisis of 1997-8, and subsequent socio-economic changes in Korea
alternative to these dominant approaches. Although the aim of this article is not to propose a general theory, it is based on three key propositions. First, it places the economic and socio-political changes of contemporary Korea within the dynamic processes of social and class struggles. This article views class conflict in capitalism as structured by, and embedded within the social forms of the commodity and capital; class antagonism is inherent in a society constituted by the commodity as a totalising and totalised form (Postone 1993, 314, 317). This perspective, while acknowledging the dynamic characteristics of capitalism caused by class conflict between capital and labour, is attentive to the particular forms in which class antagonism expresses itself as conflicts over rights (Pashukanis 1989). Within capitalist social relations, labour struggles take the form of rights claims on a share of the surplus value, chiefly through demands for higher wages and shorter working hours. In this sense, labour struggles constitute an intrinsic aspect of capitalist society rather than signalling its transcendence. In other words, historically specific capitalist social relations, in which social relations are mediated through commodity production and exchange, give rise to specific forms of class struggle in capitalism. This understanding contravenes the conventional assumption that there exists direct correspondence between sociological class positioning and political action. It also negates the view that labour struggles in themselves represent a progressive road beyond capitalism. While recognising class struggle as an intrinsic aspect of the dynamics of capitalist development, this article contends that the content of democracy is conditioned and determined by particular class power relations resulting from class and social struggles. It follows that democratisation is neither delivered automatically by a train of economic development nor as a sum of abstract principles, as often discussed.

Secondly, this article takes the view that the state is a political form of capitalist social relations. It has often been assumed, particularly by institutionalists and Weberian theorists (Skocpol 1979; Evans, Rueschemeyer, and Skocpol 1985; Leftwich 1995), that the state can be autonomous from society and neutral in terms of class interests. However, the fact that the state exists as a quasi-independent entity from the economic is engendered by the historically specific capitalist mode of production, or value-form social relations; the fact that the state appears to exist as an entity external to economy and society constitutes the specific forms through which capitalist social relations exist (see Song 2011). What follows from this understanding is that taking the apparent autonomous form of the state as its essence constitutes state fetishism and that the capitalist state is neither autonomous from the economy and society nor immune from class antagonism and conflict.

Thirdly, this article discusses what is typically seen as external constituents as dynamic social, and therewith class, forces, such as the global economy, the positioning of the Korean economy in the world system and US imperialist intervention. The problem of the conceptual dichotomy of the internal and the external centring on the state has also been raised in the disciplinary context of International Political Economy (IPE). Agnew (1994) refers to prevailing state-centrism in international relations theory as “the territorial trap” and Glassman (2004) assesses the Thai state in the light of the “internationalisation of the state,” namely how the state itself becomes internationalised in accordance with increasingly powerful transnational capital and transnational modes of capital accumulation. While acknowledging the merit of IPE critiques of state-centrism, this article
problematises the internal-external dichotomy particularly because the factors that tend to be addressed as “the external” do not constitute a rigid structure external to the “internal” society as contained by the state. These are dynamic social and class forces integral to a particular social formation in a double sense: they have a particular class orientation, favouring a particular social group or class over others and a particular mode of development over other alternatives, and they condition and mediate the ways in which and the intensity at which social struggles are manifest. The analysis of democratisation and the political economy of contemporary Korea that follows will be guided by and will also vindicate these key premises.

**Democratisation as Class and Social Struggles**

In order to enunciate why and how democratisation in Korea had the effect of de-democratisation, first, this section assesses the process by which the Park Chung-Hee and Chun Doo-Hwan regimes were dissolved, and how new social and class relations were formed out of this process.

**Democratisation From Below**

The Park regime that represents the developmental state paradigm was in power for 18 years following General Park’s military coup in May 1961. The Park regime was brought to an end amidst socio-economic and political upheavals of the time, such as the second old shock that caused over-production and over-capacity (overlapping investment) and intensifying labour unrest particularly in the sector of the light industry (Sonn 2004, 299). The end of the Park regime, however, did not result in a smooth transition to democracy. Neither a (soft-line) fraction within the ruling elite nor democratising forces were prepared for the political vacuum created after Park’s assassination in 1979. In this situation, a club of military personnel formed by graduates of the Korean Military Academy (or Hana-hoe, meaning One-Group) headed by General Chun Doo-Hwan succeeded in taking control of the locus of state power, the army, on December 12, 1979 and of the KCIA (Korea Central Intelligence Agency) on April 17, 1980. With the successful oppression of what later came to be known as the Gwangju (Democratic) Uprising on May 18, 1980, Chun and his co-conspirators completed their military coup. Chun was elected president under the Yushin Charter on August 27, 1989, which the previous Park regime introduced in 1972 with a view to staying in power permanently.

The fact that Chun rose to power through the oppression of the Gwangju Uprising, which resulted in the massacre of civilians, conditioned the ways in which the Chun regime was dissolved. The Chun government was founded on fragile legitimacy due to its “immoral” ascent to state power. This mobilised and unified a broad array of social classes and groups, from opposition parties, labour unionists, students, farmers, members of the middle class and intellectuals to religious associations in anti-government movements. On an elite level, Kim Young-Sam, the leader of the New Democratic Party, and Kim Dae-Jung, who narrowly escaped a death sentence associated with the Gwangju Uprising by going into exile in the USA, jointly formed the opposition New Korea Democratic Party in January 1985, which emerged as the largest opposition party in the general elections held in February
The success in the election paralleled the union of social forces including those hitherto separated, such as the “People’s Democracy” tendency on the one hand and the “National Unification” tendency on the other hand. They formed the United Minjung Movement for Democracy and Unification (UMDU). The New Korea Democracy Party and the UMDU were united in demanding constitutional reform that would allow direct presidential elections.

Anti-government forces formed from various social and political groups gathered momentum towards June 1987 ("the June Resistance"). On June 10, 1987, demonstrations took place across the country, with a total number of 500,000 people joining 514 different anti-government gatherings, and peaked on June 26, when the number of people who joined demonstrations across the country reached 1,800,000. These anti-government demonstrations were comprehensive in terms of class composition, with strong white-collar and middle class support. Moreover, developing democratisation movements took on a strongly anti-US and anti-imperialist stance, partly due to the public awareness of the role of the USA and its share in the responsibility for the killings of civilians in Gwangju. Much evidence suggests that the USA co-operated and supported, if not opted for, the new military junta deploying troops to Gwangju (see Lee 1996; Oberdorfer 1997, 124–125; also see Hart-Landsberg 1993, 148, 223; 2004, 200–201). With the USA expressing concerns about Chun resorting to coercion (Oberdorfer 1997, 167–172; Kang 2003c, 167), concessions from the Chun government were finally made. On June 29, 1987, Roh Tae-Woo, the presidential candidate of the ruling party, declared the adoption of direct presidential elections, which came to be known as the 6.29 Declaration.

Democratisation and Class Cleavages

Soon after the 6.29 Declaration, however, cleavages along different class lines surfaced acutely between liberals (liberal party elites) and more radical social forces. With state control of demonstrations relatively loosened after the 6.29 Declaration, the June Resistance was transformed into a large-scale labour struggle in July and August, which developed into what came to be known as the Great Workers’ Struggle. Labour movements became increasingly organised and militant from the mid-1980s, and the alliance between students and workers was formed, whereby students entered factories as workers and tried to organise labour movements by establishing labour unions and radicalising the labour agenda. Heightening labour militancy was also due to the shift in the locus of labour movements from the light industry of female workers to the heavy industry of male workers in accordance with the development of heavy and chemical industries (Lim 1994, 289). These organised labour movements went against the pro-capital and state-controlled labour union of the Korean Federation of Trade Unions and founded an alternative nation-wide union, the Korean Confederation of Trade Unions (KCTU). This process was paralleled by the rise of radical intellectuals, who founded alternative journals opposing the anti-communist ideologies that had long governed Korean society. In line with strong forces of democratisation from below unleashed in the June Resistance, labour and radical social forces took the 6.29 Declaration as a step towards more fundamental social changes rather than as an end in itself.
In the meantime, opposition party leaders Kim Young-Sam and Kim Dae-Jung tried to limit the aspirations for furthering democracy to institutional and constitutional reforms. They abandoned their previous call for the abolition of anti-democratic laws, such as the National Security Law, and agreed to the ruling party maintaining or moderately amending laws designed to oppress social and labour movements (Park and Jeong 1989, 232). Both leaders urged labour unionists and radicals to stop striking on the grounds that their continuous struggles might result in the withdrawal of the 6.29 Declaration by inviting another military intervention (Lee 2007, 121). Distancing themselves from radical social forces, Kim Young-Sam and Kim Dae-Jung finally ran for the presidential election separately. This was a reversion to what they had declared previously and also went against a plea for a joint campaign by various pro-democracy social and political groups. Owing much to the split between the two candidates, the military was able to extend its rule legitimately, as Roh Tae-Woo, an accomplice of Chun Doo-Hwan in the Gwangju massacre, was elected.

The election of Roh brought about changes in the relations between different political and social groups. On the one hand, it unified the soft-liners of the ruling military elites led by Roh Tae-Woo and right-wing liberal elites represented by Kim Young-Sam (Lim 1994, 290). Their union was concretised in 1990 through a three-party merger – the formation of the Democratic Liberty Party, in which the parties of Roh Tae-Woo and Kim Young-Sam and the New Democratic Republican Party of Kim Jong-Pil, a member of the traditional military elite and a collaborator of the coup of Park Chung-Hee, took part. This signified not only the formation of an alliance between pan-conservative and right-wing liberals, but its separation from radical social groups as well as from left-wing liberals, such as Kim Dae-Jung. Although Kim Young-Sam and Kim Dae-Jung are both liberals, supporting liberal democracy and the market economy, the former represented right-wing liberals and the latter left-wing liberals: the latter had his popular base in small and medium-sized firms rather than the chaebol, and had a more conciliatory stance to North Korea. Similarly, the 6.29 Declaration symbolised the point at which the middle class, liberal associations and religious groups went their separate ways from left and labour movements. Subsequently, right-wing liberals emerged as the dominant force with Kim Young-Sam being nominated as the presidential candidate of the Democratic Liberty Party and elected as president in 1992.

While right-wing liberals were strengthening their position and thus surfaced as the dominant social and class force, radical and left-wing social groups showed their limits in countering liberals and the liberal agenda. Under the extreme mode of labour repression under military rule and the anti-communist ideology that had governed every aspect of life since the Korean War, labour movements lacked unity until the Great Workers’ Struggle of July and August 1987. Although the level of labour unionism and organisation improved and they became militant, the left-wing social movements did not develop into a leading social and class force strong enough to enforce a more radical version of democracy than the liberal one. What labour movements called for was, in spite of their militant mode of struggles, labour rights within capitalism (Kim 2007, 84, 89–90; Lee 2006, 193–194). Labour movements and left-wing social forces took a defensive stance against liberals, and restrained their immediate goals to the norms of liberal and political democracy (political and labour
rights). For instance, in a pursuit of establishing the Korean Socialist Party in 1991, in order not to be charged with a breach of the National Security Law, its founding members claimed that the party took a reformist line within the limits of legality, and its goals lay in attaining political rights (Lee 2007, 122–123). The kind of democracy that democratisation from below has brought about in Korea is limited in its content, and is what Gills and Rocamora (1992) call “low intensity democracy,” a kind of democracy that is not substantially different from authoritarianism.\textsuperscript{13} Even after the 6.29 Declaration, labour rights by public workers were still denied, and the National Security Law, the notorious anti-communist law, remained intact.

An assessment of the process of democratisation in the late 1970s and the 1980s shows that incessant social and class struggles and the power balance emerging from these struggles determine the specific content of democracy; that is, what kind of democracy is to be realised. However, this outcome, rather than ascribable to the limits of liberals and labour unionists on a personal level, must be contextualised within the particular development trajectory as shaped before and after the Korean Civil War (1950-53). The particular development paradigm promoted by the “developmental state” came into being as a result of intensive class and social struggles, in the course of which radical and socialist movements were exterminated in the process of the Civil War (see Jeong 2000). As much as a super-oppressive form of the state arose in the soil of the extermination of the left, it was prescribed by late or catch-up capitalist development that intrinsically necessitated or presupposed an overt mode of social discipline: early industrialisation was pivoted on the production of low-end manufacturing goods (the super-exploitation of labour). Due to the presence of the authoritarian state that imposed an extreme mode of control at a societal level, anti-systemic movements manifested themselves above all in the form of democratisation or a challenge to the authoritarian state. In this way, the world-system constraints, the positioning of the economy and the timing of development in the world system, mediate the ways in which class and social struggles are expressed and set a limit to what political agenda these social groups can set themselves.

Furthermore, the assessment of democratisation also shows that what institutionalists typically take to be the external, such as Korea’s positioning in the world economy and US intervention, must be seen as dynamic and active (class) social forces to the extent that they have determinate class orientations and interests, and in turn shape class relations. As previously mentioned, the USA played a key role in the success of Chun’s military coup. Various factors shaped US support for Chun, from the foreign policy priority of maintaining Korea as an anti-communist frontier in Asia to the hegemonic rise of militarists against liberals within the US political elite towards the end of the 1970s (Halliday 1986, 214–217; Lee 1996, 86–97). Most of all, the Korean political upheaval coincided with the Iranian Revolution of 1979 that turned a hitherto pro-US state into an anti-US regime. US ambivalence at the beginning and eventual support for Chun were motivated by the desire not to create “another Iran” (Lee 1996, 95–96; Oberdorfer 1997, 123). To the extent that the implicit or explicit guarantee of American support for military rule contributed to the success of Chun’s military coup, the USA is co-responsible, as an active force, for the content and particular form of democracy in Korea today. As much as Korea’s geopolitical positioning had important effects on the content of democracy by initiating a particular type of US intervention, the USA had a clear class orientation.
by supporting military regimes willing and able to consolidate and restore a capitalist order.\textsuperscript{14}

The Dialectic of Democratisation and the Financial Crisis of 1997-98

The particular class power relation that surfaced in the process of democratisation, in which right-wing liberals became dominant, in turn conditioned the content and pace of subsequent political reform and economic liberalisation, and eventually augmented the scale of the financial crisis of 1998-98 as it unfolded.

Civilian Democratic Government and the New Content of Democracy

The election of Kim Young-Sam as president in 1992 signified the advance of democracy as he formed the first civilian government since 1960. The new government implemented a series of ambitious political and economic reforms. In parallel with a series of political reforms and anti-corruption measures, the Kim government pursued economic reforms under the New Economic Policy. It initiated bold economic liberalisation in the name of \textit{segyehwa} or globalisation from 1994 onward (Lee K-K. 2005, 329; Lee, Lim, and Chung 2002, 210). The Kim government claimed to depart from the old development model based on heavy state interventionism and state protection, and instead to move towards one based on free-market rules, business autonomy and competition. As a step towards a more liberal and mature economy, it set the goal of joining the Organisation for Economic Co-operation and Development (OECD). It abolished the EPB (Economic Planning Board), what Cumings (1998, 54) calls “the Korean locus of administrative guidance,” or what some take as the symbol of the developmental state and its “disciplinary” power over capital as an institution that drafted and implemented industrial planning (see Woo-Cumings 1997, 1999b). By the same measure, it claimed to stimulate investment by de-regulation and financial liberalisation and support businesses by relaxing rules on foreign and offshore borrowing (see Lee K-K. 2005).

The distinctive aspect of Kim’s liberalisation was that, due to his civilian background, his economic liberalisation was implemented in the name of democracy. Under circumstances in which the state exercised tight control over both social and economic development levels, the name of democratisation was claimed not only for the process of removing the authoritarian and oppressive traits of the state, but also of withdrawing its interventionist role in economic development. Economic liberalisation was claimed as a means to correct the “over-stretched” functions of the state. Thus a situation was created in which the civilian government that came into power by democratisation forces from below was empowered to pursue radical economic liberalisation. The attachment between democratisation and economic liberalisation was further solidified owing to the hitherto close relationship between state elites and capitalist individuals, which had long been criticised as cronyism by radicals and liberals alike. While Kim Young-Sam’s \textit{chaebol} reform failed to alter its increasing capital concentration, democratisation in the Korean context meant regulating the \textit{chaebol} through market rules rather than by state decision. In this respect, the political and economic liberalisation of the Kim government signifies its attempt to form \textit{objective} relations between state and capital as opposed to \textit{subjective}
or personal relations by regulating the latter through market regulations rather than direct state intervention. While this motif had already been noticed under the previous governments,\textsuperscript{15} this rationalisation move had the effect of unleashing the specific contradictions of the developmental state once it met the new dynamic of the global economy.

**Global Capitalism and Class Struggles**

The fact that the Kim Young-Sam government pursued radical economic and financial liberalisation right up until the financial crisis in 1997-98 has led many to conclude that reckless and premature opening of the financial markets and liberalisation of capital accounts were factors attributing to, if not the major cause of, the financial crisis of 1997-98 that caused havoc for the Korean economy (see, for example, Crotty 2000; Stiglitz 2000; Wade 1998a, 1998b; Chang 1998). From this, the conclusion is drawn that had there been proper regulations and supervisory institutions or the developmental state itself in place – or, from the perspective of neo-classical economics, had the developmental state never existed – Korea could have avoided the crisis (Balino and Ubide 1999). These opposing views, however, commonly assume that radical financial liberalisation was a self-contained process in itself or a policy mistake by the Kim government, placing it in isolation from fundamental dynamics intrinsic to capitalist accumulation, within which social and class struggles emerge. What has to be explained is why financial liberalisation took place in such an intensive form at that particular time, and how and why it developed into an economic crisis, whose severity was unprecedented in Korea.

Periodic crises and over-accumulation, and alternating booms and recessions are intrinsic to the dynamics of capitalism. The Korean economy had also experienced a series of cycles of expansion and contraction in the course of rapid development in the pre-crisis decades (Kim and Cho 1999, 216). In this respect, the financial crisis of 1997-98 was first an expression of the general tendency of capitalist dynamism in which the expanded production and credit in the expansionary phase met the barriers of accumulation and realisation in the down phase, which were manifest through over-accumulation (overcapacity) whose problems were to be redressed through a crisis (the devaluation of capital). However, the heavy foreign (short-term) borrowing in the 1990s by the chaebol underscores the particular contradictions relating to the Korean capitalist development in the face of changes in the dynamics of the world economy and of the new class configurations. Financial liberalisation under the Kim Young-Sam government can be analysed with reference to changes in the economic and social relations both on global, regional and domestic levels.

Coinciding with the end of the post-World War II long boom, there has been increasing mobility of capital and deepening integration of international financial markets (see, for example, Arrighi 1994; Duménil and Levy 2004). The renewed globalising financial markets coupled with the breakdown of the Bretton Woods system in the early 1970s increased the volatility of the financial market on a global scale as well as the pressure for financial liberalisation and de-regulation of the financial markets in developing countries (Gowan 1999; Harvey 2003; Panitch and Gindin 2004). While the Western and Japanese economies were in stagnation, the
emergence of Asia (minus Japan) as (the only) rapidly growing region in the 1980s meant that foreign investment and capital flowed into the region in a feverish fashion. Foreign capital and banks were ready to lend short-term credit to Korean banks and firms more than willingly. International inter-bank lending soared in 1995-96 and yet Japanese credit agencies continued to give Korea their highest rating up until mid-1997, immediately before Korea was hit by the crisis (see BIS 1997).

On the other hand, the needs of Korean capital to liberalise the financial markets were increasing since the 1980s, having been enforced by the new class configurations that emerged from intensive democratisation and labour movements. First, there was a shift in the US-Japan-Korea trade relations in the mid-1980s, which had provided the conditions in which Korean capital grew rapidly in the previous decades, since the mid-1960s. Exports increasingly met barriers in line with escalating trade tension between the USA and Japan, consequent US retaliation against Korean imports and Japanese reluctance to export high technology to Korea (Bello 1992, 88; Hart-Landsberg 2004, 201). Korea’s trade balance with the USA turned from surplus to deficit from 1991 and carried on until 1996, while its trade deficit with Japan was persistent and rising throughout the 1980s and 1990s (Hart-Landsberg 2004, 203; Jeong 2005, 133). In addition, the rise of Southeast Asian economies imposed another strain on Korean exporters by causing intensive competition over the world market share (Shin 1999, ch. 2; Hart-Landsberg 2004, 206–208; Hart-Landsberg and Burkett 2006).

Heightening democratisation and escalating labour unionisation and militancy in the 1980s also placed constraints on capital. To the extent that the profitability of Korean capital was primarily secured from low wages and long working hours, capital became vulnerable to the enhancement of working conditions. The explosion of labour movements in the mid and late 1980s brought about a modest rise in real wages and reduction in labour time and in the rate of exploitation at least in the sectors where labour unionism was strong, such as heavy and motor industries (see Jeong 2005, 134, 148–49). Taking into account these fundamental changes at various levels, hasty liberalisation by the Kim Young-Sam government can be seen as an expression of the thrust of capital to overcome the barriers of accumulation. In the face of deteriorating profitability and escalating labour militancy from the mid-1980s onward, a freer access to foreign borrowing became a matter of urgency for capital to avoid a crisis or devaluation.

While capital’s resort to borrowing in times of economic difficulties is a logical step to undertake from the perspective of capitalist rationality, the particular state-bank-chaebol relations of the developmental state paradigm helped develop the deteriorating profitability of Korean capital into a major economic crisis.

Korea’s rapid industrialisation in the post-war period was characterised by the high leverage ratios of the chaebol (Wade and Veneroso 1998a). The state granted the chaebol preferential access to subsidised credit (policy loans), allowing them to intensively invest in strategic export-orientated industries. Chaebol’s financing was made primarily from banks, which were underwritten by the state (Balin˜o and Ubide 1999, 20), and the state bailed out troubled chaebol by channelling fresh loans through the state-controlled banking system. Given this particular state-bank-chaebol nexus, the health of the banking system was exclusively dependent on
the viability of the *chaebol*. However, financial liberalisation measures undertaken by the Kim government, such as withdrawing policy loans, granting banks greater independence in lending decisions and liberalising capital account, left no unified supervisory mechanisms and prudential regulations in place (Balin˜o and Ubide 1999, 16–19; Kim and Cho 1999, 225). A large portion of the borrowing, particularly by merchant banks, was undertaken through overseas subsidiaries and foreign branches, an area of businesses that lay outside state supervision and control (Kim and Cho 1999, 224). Exploiting the lax rules on merchant banks, which had also recently been permitted to engage in international financial transactions in spite of deteriorating profits, the *chaebol* continued to expand their business, shifting much of their borrowing to the merchant banks (Balin˜o and Ubide 1999, 28). By the mid-1990s Korean firms came to be amongst the most heavily indebted in the world (see Hart-Landsberg 2004, 208) and, at the same time, the heaviest investors abroad, mostly in East Asia (see BOK 1997). When the economy met the dominos of *chaebol* bankruptcy and the currency crisis in Thailand, it plunged into financial crisis. The government had to turn to the International Monetary Fund (IMF) for rescue loans and experienced the hardest economic recession of its entire post-war history.

Once located within the new global economic conditions as well as the new social grounding brought about by the democratisation and labour movements, the financial crisis of 1997-98 and the scale at which it unfolded can be understood as a specific manifestation of general capitalist dynamics mediated by the specificities of the Korean development model (Kim and Cho 1999). The particular state-bank-*chaebol* relations of the developmental state paradigm magnified the intensity of the financial crisis of 1997-98 when it met the development of material social and class forces on various levels, from global and regional to domestic. Seen in this way, the financial crisis was neither caused by the pure *external* imposition by the USA and neo-liberal institutions, such as the IMF and the OECD, to liberalise markets, as if they were disturbing, from outside, an otherwise well-functioning *national* economy. Nor was financial liberalisation a self-contained process in itself, taking place in isolation from material and social forces or reducible to policy mistakes as currently dominant approaches (particularly institutionalists) propose.

Equally, the state was not an innocent victim of the global economy. If financial liberalisation reflected Korean capital’s attempt to overcome deteriorating profitability in general, the increasing difficulty in imposing an overt mode of labour discipline was translated into pressure on the government to adopt anti-labour laws. In December 1996, the Kim Young-Sam government passed an anti-labour law in the National Assembly in the early morning in the presence of only the delegates of the ruling party without giving notice to the opposition party. The way in which Kim legislated against labour eroded his civilian and democratic credentials. More importantly, the new bill stipulated that the Korean Federation of Trade Unions, a state-controlled trade union, was to be the only officially approved labour organisation for five more years: the KCTU was to remain illegal. The new bill also allowed Korean businesses to lay off workers and to replace strikers with scabs (Cumings 1998, 54). The tendency that the democratic government that came to power by democratisation and labour movements from below turns itself against labour manifest itself more acutely in the subsequent Kim Dae-Jung government.
The Dialectic of Democratisation and De-democratisation

The financial crisis of 1997-98 brought about significant socio-political and economic changes. This section traces the manner in which the particular state-capital relations that had formed in the developmental state period interplayed with new social forces unleashed by the financial crisis, and thereby how democratisation came to amplify “de-democratisation” effects in post-crisis Korea.

World-system Constraints and the Specificities of Korean Capitalism

What the financial crisis of 1997-98 made possible and to which it contributed significantly was the advance of democracy at the political level, with the opposition party led by Kim Dae-Jung being elected president in December 1997. Given that his popularity was based primarily on the Gwangju and Cholla regions and that he was defeated in the previous presidential elections partly owing to his left-leaning political stance, his success in the presidential election marked an important landmark in the history of democracy in Korea.

Coming into office in the immediate aftermath of the crisis, Kim Dae-Jung showed his aversion to the previous developmental state paradigm, which he conceived as the main cause of the ills of Korean politics and economy. He argued that the financial crisis of 1997-98 “would not have happened if leaders who led the nation’s politics, economy and finance did not... rely on a government-controlled economy.” He claimed to have “democracy and market economy harmonize and develop in tandem... there will be no collusion between government and business circles.” He then declared to form a “small but powerful government” and to depart from the previous authoritarian governments by freeing private firms from state direction and direct control, and to establish an economy run by the autonomy of private actors according to the rule of democracy: he juxtaposed the autonomous market to direct state intervention, and equated the former with democracy (Kim 1998). Accordingly, the post-crisis restructuring programmes were geared toward introducing more market rules, namely more (financial) liberalisation and foreign investment and de-personalising or establishing objective state-capital relations.

Prioritising restructuring of state-capital relations in this particular direction is enforced by the particular socio-economic history of state-capital relations. Throughout the history of Korean capitalism, the Korean public as well as liberals have shown a strong antipathy towards the chaebol as much as towards the authoritarian and military states. Much more than being accused of being capital that exists by exploiting labour, the chaebol were resented for being immoral and illegitimate in how they went about their businesses. From their origins, the chaebol were the product of a state (under the Rhee government) that lacked domestic legitimacy, having been created under the auspices of the USA. The chaebol originated from taking up businesses and properties allotted or given away by the state. They then grew by taking advantage of the price differences by selling US aid goods on the domestic market at full market price obtained either freely or cheaply from the state primarily for the reason that they were personally close to those in power (see Kong 2000; Suh 1988a).
Owing to the blatant state favouritism offered to individual capitalists, when the Rhee government was ousted by student movements (the April Revolution) in 1960 for corruption and fraudulent manipulation of election results, capitalists were also seen as part of an illegitimate state. Public resentment of them was so strong that Park, who came to power through a coup in 1961, had to accommodate in some ways public aversion to the chaebol by punishing individual capitalists and confiscating their properties. Park’s control of the financial system through the nationalisation of banks was possible because the general public and especially those involved in the social movements that overthrew the Rhee government perceived the chaebol as parasitic rather than a productive element of the national economy.

Public resentment towards the chaebol continued and strengthened during the periods of the military governments of Park and Chun. When the Park government broke its promise to dismantle the monopolistic structure of the chaebol in the face of US objections and its own interests, the chaebol survived their dissolution and were offered fresh ways to accumulate by the new military government. Either actively or tacitly, the chaebol co-operated with Park and supported his regime by financing his political and election campaigns. While the state controlled the financial system, the military regime and the chaebol were mutually dependent on each other through the exchanges of various forms of state favouritism and bribery. The chaebol also benefited from an extreme mode of labour discipline ensured by the authoritarian state and they often resorted to state coercion in crushing labour unionism and activism.

This legacy of particular state-chaebol relations interplayed with new domestic and global forces unleashed by the financial crisis. As it became undeniable that the closely tied and corrupt state-bank-chaebol nexus attributed to the unprecedented scale of the financial crisis of 1997-98, various political and social groups called into question the alleged specific structural and institutional features of Korean capitalism. While there were variations in terms of the degree to which the reform should be carried out, the rise of left-wing liberals as the dominant social force in line with the election of Kim Dae-Jung gave a determinate and specific meaning to democratisation. Kim himself was a victim of military oppression as well as a fierce critic of personally tied state-chaebol relations. The dominant view amongst left liberals was that the crisis was caused primarily by the abnormality of Korean capitalism, that is, the particular state-chaebol relations characterised as cronyism. Similarly, a consensus formed between liberals and democratisation social forces that the state-chaebol relations inflicted by cronyism were a manifestation of a lack of democracy and transparency. Consequently, the post-crisis reforms were primarily aimed at restructuring the chaebol in a way to enhance transparency, eradicate illegality and rationalise their operations by removing family-based ownership structures as a process of facilitating democratisation.

The post-crisis restructuring of the Korean economy in this direction was also shared and re-enforced by the IMF. In granting rescue loans to the Korean government to bail out the debt-ridden economy, the IMF demanded, as a condition, that rationalisation measures be implemented. These involved restructuring and eliminating non-performing banks and bad loans; expansion of commercialisation (marketisation) in the banking business; developing the capital market; liberalisation of securities market access for foreigners and for foreign investment in
the domestic financial sector (BOK 1997). In association with corporate (chaebol) reforms, it required the Korean government “to eliminate intersubsidiary loan guarantees, lower debt-to-equity ratios, and improve transparency” (Cumings 1998, 63). The agenda of the IMF was commensurate with that of the Kim Dae-Jung government and of left liberals in general. The fact that the specificity of Korean capitalism amplified the severity of the crisis also allowed the neo-liberal remedies proposed by the IMF to be received with less resistance at least amongst (left-wing) liberals. Some critics of the chaebol welcomed the IMF’s demands for rationalisation and transparency in the accounting rules, i.e. the prohibition of window-dressing settlement and the strengthening of prudential measures in the financial sectors (see Kim 2002). Similarly, the legacy of belief that the chaebol had been improper capital led critics of the chaebol and the public to favour, to a certain extent, foreign ownership of commercial banks rather than the chaebol taking them over: it was feared that the banks would be misused by the chaebol as the instruments for their irrational expansion as they had done with merchant banks in the pre-crisis periods.

The content and direction of post-crisis reforms were, in this way, determined by the interplay between material and social, or class forces. What drives and determines the content and scale of post-crisis reform was neither one-dimensional external imposition, e.g. by the IMF, nor a result of the state losing its policy autonomy against individual capitalists as institutionalists seem to suggest (see above). Equally, as shall be discussed, the conceptual framework that counter-poses the internal and the external, and the state and the economy as categories of zero-sum relations are unable to capture the essence of the seemingly contradictory dynamics of post-crisis reform.

**Social and Class Polarisation**

Post-crisis reform carried out by the Kim Dae-Jung government was extensive and encompassing. If Kim’s reforms are to be assessed under the framework of the conceptual dichotomies of the state-market and internal-external, it appears, at first glance, to be contradictory in terms of what it claimed to achieve and the way it acted. On the one hand, post-crisis restructuring was forcefully implemented by the interventionist policies, which can be seen as the epitome of the developmental state. The state vehemently carried out banking and corporate reforms by compelling dissolution, merger and acquisition of banks, financial institutions and the chaebol in trouble. The “big deal” (capital restructuring by inducing specialisation between major firms) was initiated and the development plan for small and medium venture firms were implemented. On the other hand, the Kim government claimed to achieve a market-based economy by establishing independent financial regulatory agencies, such as the Financial Service Commission (FSS) and the Financial Supervisory Service (FSC), and enacting the new BOK Act stipulating central bank independence. This is in fact the point at which opposing interpretations have been proposed over the question of whether the Korean developmental state remained resilient against powerful social groups and the global economy (see above). However, the tension between state intervention and market-orientated reform appears to be puzzling in so far as state and market are assumed to play a zero-sum game, that is, one loses its power inevitably over the other, and the
perpetuation of the developmental state is measured depending on the extent to which it intervenes in and controls the market and capitalists. One way to resolve the apparent contradictions of the post-crisis Korean state between its interventionist enforcement of post-crisis reform and its claim to establish a more market-based economy is to analyse the social consequences of post-crisis reform by bringing to the fore the aspects of the democratic government that stands against labour.

Amongst others, a defining characteristic of post-crisis Korea is deteriorating living standards of the working population, caused by heightening job insecurity or the casualisation of the Korean labour market. Despite the fact that Korean labour recorded extremely long working hours and the lowest level of welfare in the preceding period of rapid industrialisation, the Korean labour market was accused of being inflexible, and the IMF included in the rescue loan agreement a labour flexibility conditionality, which would allow large-scale layoffs. Consequently, the proportion of workers having precarious/contractual/unprotected forms of employment increased rapidly. By international comparison, Korea is marked by the highest percentage of irregular workers in total employment, while the number of workers holding a permanent post is the lowest among OECD countries (Martin and Torres 2001, 6, quoted in Chang and Chae 2004, 436). The wage gap between irregular and regular workers has also widened (see Kim 2004, 2005). The ratio of workers with low-paid employment, earning less than two-thirds of the average income, increased from 22.9% in 2001 to 25.9% in 2005, which is the highest level amongst OECD members, even higher than that of the USA with 18.1% (Lee B-C. 2005, 56). The patterns of long working hours of Korean workers have not significantly changed. As of 2010 Korea is still the country with longest working hours amongst OECD countries – Koreans work on average 16 hours longer per week than workers in the Netherlands who work the shortest (OECD 2010). The gloomy picture of Korean labour, in particular that of the young generation, has been phrased as the “880,000 Won (800 dollars) Generation,” referring to the average monthly income of irregular workers in their 20s: youth employment is characterised by insecurity and low wages (Ooh and Park 2008).

Heightening job insecurity has had adverse impacts on the poor and the vulnerable, particularly in a country like Korea where the state provision of welfare schemes had been kept either to a minimum or subordinated to economic growth, with the lowest level of welfare expenditure amongst OECD members. While welfare spending increased and more social welfare programmes were introduced after the financial crisis, they are still among the lowest – not only by OECD standards but also in comparison to the lower-income countries (see Sonn 2006, 222–223, 231, 251). In addition, income and wealth disparities between the poor and the rich have increased. The GINI co-efficient index showed that not only the gap between the rich and the poor increased after the crisis, but the speed at which this gap widened between 1996 and 2000 was faster than or at double the speed of the USA and the UK, the countries that are supposed to have gone through the most radical neoliberal reforms (Sonn 2006, 253). Wage income disparities between the bottom 90 and the top 10% increasingly widened to 5.2 times in 2001, 5.5 times in 2002 and 5.6 times in 2003. This is higher than those of the US (4.3 times) that had the highest wage income gaps amongst OECD countries (Kim 2004, 16). Added to these figures, the high rate of suicide is also indicative of “weakening social integration,” as the
OECD put it. Korea not only leads in the number of suicides amongst the OECD member countries but suicide amongst men almost tripled after 1990 (OECD 2010).

The Democratic State against Labour

In the broad picture of the deteriorating living standards of the general population and the working class, the Kim government was neither immune from these socio-economic changes nor neutral in terms of class interests. First, it was the Korean government officials that asked the IMF to include anti-labour measures in the reform package attached to the rescue loans (Cumings 1998, 54). The class content of a democratic state as a capitalist state manifested itself not only by pursuing anti-labour and pro-capital policies but by actively utilising external forces (IMF) as a means to attack labour.

Secondly, in the same manner in which previous military governments implemented stabilisation and restructuring measures in times of economic crises by transferring new loans to the chaebol in trouble, the Kim Dae-Jung government stepped in to save capital and restructure it by channelling new credit to chaebol and selling off nationalised banks and firms to foreign capital. The Kim government raised and channelled the “public” funds to buy up non-performing loans and re-capitalised banks and sold them to foreign investors and chaebol themselves. This means that it is the working population and the general public that have borne (and continue to bear) the costs of the crisis, not only through heightening job insecurity and lowering living standards but via high taxation. The tax burden increased from 19.5% of GDP in 1997 to 21.8% in 2000 and 22.8% in 2003. Government debts increased from 7.5% of GDP in 1997, to 16.3% in 2000 and 18.7% in 2003. If government-guaranteed debts are included, the figure rises to 42% of the GDP in 2001 from 16% in 1997 (Kalinowski 2008, 454; see also Lee B-C. 2005).

Thirdly, it was the Korean state that actively negotiated to gain concessions from labour in the name of “sharing” or “socialising” the costs of the crisis. The left-wing liberal government, unlike the previous (military) governments, formed the Tripartite Commission, inviting labour unionists for the first time in Korean history to a discussion table alongside businesses and the government in dealing with the crisis. However, the agreement delivered by the three-party negotiation was pro-chaebol and anti-labour: it allowed the immediate implementation of layoffs in return for improved legal rights of the unions, such as legalisation of the teachers’ union and of public servants’ unionisation (but without the right for collective action) (Cumings 1998, 62; Chang and Chae 2004, 433; Sonn 2004, 515). The government bargained improved political and democratic rights of labour unions for a most important concession from labour, the consent to greater labour flexibility. This outcome was, in part, due to the fact that labour unions shared the liberal vision in interpreting the causes of the crisis and handling the post-crisis situation: the KCTU concentrated its agenda on “saving the nation” through chaebol reform, presenting thereby the disproportionate capital concentration by the chaebol and corruption as the main problems of the economy. Similarly, in the face of the near bankruptcy of KIA, the eighth largest chaebol, the KCTU campaigned to save it on the grounds that it was a national firm and should be protected from being taken over by other corrupt chaebol and foreign capital. Partly due to the limits of labour
unionists in envisioning post-crisis resolutions beyond liberal and nationalist ideology, and partly due to the sheer scale of the historically unprecedented crisis, the state managed to push through anti-labour measures. Ironically, enhanced political rights of labour unions attained through the democratic negotiations between the three parties, instead of helping to arrest or mitigate deepening job insecurity, have had the effect of facilitating the increasing flexibility of the labour market.

Fourthly, the state continued to attack labour activism. Immediately after the agreement (February Agreement) in 1998 on labour market deregulation and the subsequent amendment of the labour standard law, the state began to intervene in labour conflicts more extensively, resorting to the use of authoritarian measures. Beginning with the strike of the Hyundai Motors Workers’ Unions in July 1998, which ended with more than 10,000 layoffs and the Mando Machinery Workers’ strike in August, in which more than 2,600 workers got arrested, the Kim government violently broke up almost all major attempts of the working class to minimise lay-offs and other forms of structural adjustment (cited in Chang and Chae 2004, 438–439). During the first year of the Kim Dae-Jung government, the number of those imprisoned for violation of the National Security Law was four times higher than that under the Kim Young-Sam government (Sonn 2004, 516–517).

The blatant anti-labour interventions of the Korean state were continued by the following government of Roh Moo-Hyun (2003-07), a son of a poor peasant family, a self-taught human rights lawyer and a former democratisation activist. It not only crushed labour strikes by force but the number of strikers imprisoned in the first few months of his inauguration reached a record high (Jeong 2003; see also Sonn 2006, 342–356).

Reflecting the coincidence of democratisation with economic hardship, as well as the lack of socio-economic substantive contents of democracy, Koreans have increasingly been disillusioned with democracy. According to surveys, support for democracy has reduced while the prioritisation of economic growth over democracy increased (Kalinowski 2008, 458; Korea Barometer Survey 2004). Similarly, there has developed an increasing nostalgia for General Park, which has in part translated into the election of the conservative right-wing Lee Myeong-Bak as president in 2007. Lee was former-mayor of Seoul and a CEO of Hyundai, a prominent chaebol. His party was headed by the daughter of Park who competed with Lee until the very last moment to become the presidential candidate. Lee was elected after campaigning to revitalise the economy following the model set by Park. Reminiscent of Park who quantified economic goals, Lee promised 7% of economic growth, US $40,000 GDP per capita and rendering Korea the seventh largest economy in the world. While the rise of the Lee government highlights the pervasiveness of developmentalism in Korea (that is the belief that more development can justify and resolve any social ills), it also symbolises the fragility of democracy.

If the failure of democratisation to enhance socio-economic equality allowed the rise of the right-wing government, social disintegration and polarisation deepened since the election of the Lee government. The Lee government has pursued radical economic liberalisation: it has implemented large-scale privatisation, either by accelerating and extending the areas of privatisation from electricity, water and railways to education. It has also aggressively pursued trade and financial
liberalisation. It further de-regulated the chaebol’s engagement in financial businesses and, in parallel, constantly endeavoured to make the labour market even more flexible (see Goldner 2008; Kalinowski 2007, 2008). Lee’s pro-rich and pro-chaebol policies and the delivery of policies without public deliberation increasingly caused social tension, expressed in the nation-wide candlelight demonstrations in 2008 against the government’s lifting the ban on import of US beef, whose safety had not been verified, as well as in a series of labour strikes that erupted against extended privatisation and layoffs. The Lee government resorted to old methods by coercively breaking up candlelight demonstrations in 2008, the Korean Rail strike and the Ssangyong strike in 2009.

What characterises post-crisis Korean society is not merely that it hardly achieves socio-economic democracy beyond political democracy. More importantly, democratisation has the effect of debasing even the limited kind of democracy in place by accelerating social polarisation, which can be called de-democratisation. Democratisation can be addressed as de-democratisation in so far as increasing social disintegration challenges the foundation of political democracy itself as it strengthens the public nostalgia for the military regimes of the past and a supposedly charismatic leader, and brings the coercive aspects of the capitalist state to the fore in maintaining social order, which has become a defining feature of the democratic state.

Conclusion

This article addressed the current political and economic development of Korea as a process in which democratisation accelerated economic liberalisation and in turn enforced de-democratisation by exacerbating social polarisation.

It contended that in order for this seemingly contradictory dynamic to be understood, the processes of democratisation must be contextualised within class and social struggles, in the course of which liberal elites became a dominant social force against radical social forces within democratisation movements. The positioning of Korea in the world system and external/imperialist forces (the USA, in particular) was also integral to this process as active social and class forces. The ascendancy of the liberal elite in the process of democratisation gave a particular meaning to democracy, confining its content to institutional and procedural processes yet emptying it of socio-economic substantives. However, the rise of a limited kind of democracy enforced by the ascendancy of liberals must be contextualised within the particular development trajectory of Korea as shaped after the Civil War (1950-53). In so far as the rapid industrialisation was largely due to the favourable geo-political conditions formed during the Cold War and to the super-exploitation of labour – low wages and long labour hours, within the context of catch-up modernisation in the hierarchical global system of capitalism – Korean capital faced immediate barriers to accumulation in line with the end of the USA-Japan-Korea trade alignment and heightening labour militancy toward the end of the 1980s. Conditioned by a particular state-capital nexus configured under the developmental state paradigm in which the authoritarian state initiated industrialisation, democracy meant not only a challenge to authoritarianism but also withdrawing state intervention from the economy.
The specific liberal discourse on democracy has gained even further momentum since the financial crisis of 1997-98, which called into question the developmental state paradigm and allowed the election of the opposition party led by Kim Dae-Jung, representing the left-wing liberal elite. He represented the dissenters of the preceding military regimes and of the monopolistic power of the chaebol, family-run monopolistic business conglomerates. With the rise of left-wing liberals as the dominant social force coinciding with the financial crisis, post-crisis corporate and economic reforms centred on facilitating economic and financial liberalisation as a way to rationalise corporate practices and “democratise” state-capital relations. At the same time, under the post-crisis conditions when the country experienced a severe economic turmoil, the Kim Dae-Jung government was able to pursue the casualisation of labour by democratic means, namely through tripartite negotiations. However, democratisation that deepens social polarisation came full circle with the election of the right-wing Lee Myeong-Bak government in 2007, one that claims to resemble, and indeed does resemble, the Park regime.

Contextualised within the contradictory processes of political and economic liberalisation, and of democratisation and de-democratisation, it would be too facile to formulate the political economy of post-crisis Korea as the encroachment of the economic over the political (state) or the global over the national (internal). The first step to transcend this framework would be to question the notion – widespread in the literature of political economy and development – that Korean development represents a model case of national development that should or could be emulated by other developing countries, and that development can be delivered consensually by elite-level deliberations.

Notes

1. The limited nature of democracy in Korea may be considered as “low intensity democracy” (Gills and Rocamora 1992; see below). It has been argued that the limited nature of Korean democracy was caused in part by the failure of the (reformist) left to offer an alternative economic vision in opposition to the conservative forces (Doucette 2010).

2. For this author’s critique of institutionalism and recent debates on the transformation of the Korean developmental state, particularly the theoretical and political implications of their conceptual dichotomies of state-market and internal-external relations, see Song (2011).

3. Hence, Amsden, Wade and Johnson have recently become critics of US imperialism and posit it as a force that hinders a nationally autonomous mode of development in the developing world (see Amsden 2007; Johnson 2004; Wade 2006).

4. At the end of the 1970s, the level of plant operation in Changwon Industrial Complex, a cluster of the heavy and chemical industries, was merely 30% and plant closures increased by 40-130% compared to previous years (Sonn 2004, 299). As of 1979, trade balance was in deficit by US$ 4.1 billion, the worst figure in the decade (Kang J-M. 2002: 305).

5. Note, however, that some call the June Resistance a middle-class rebellion (Kang 2003c, 159–160). The cross-class character of the movement has been discussed above.

6. The 6.29 Declaration also included an open campaign without threats of repression; amnesties for political prisoners including Kim Dae-Jung; guarantees of basic rights; and revision or abolishment of the current Press law (Cumings 1999, 34).

7. The number of students who entered factories was estimated at 3–4,000 during the first half of the 1980s in the area of Seoul (Kang 2003b, 179–184).


9. Some call the intellectual current of the 1980s in Korea “the age of revolution” (Lee 2007, 119–121).
10. The left-wing social groups were in disarray in terms of how to react to the separation of the two anti-military movement leaders: “one supporting Kim Dae-Jung; another trying to force one of two Kims to withdraw; and a third supporting an independent people’s candidate” (Hart-Landsberg 1989, 67). See also Kang (2003c, 209–232).

11. Roh gained 36.6% of the votes, while Kim Young-Sam received 28.0% and Kim Dae-Jung 27.1%.


14. Likewise, the USA objected to the Park regime implementing radical chaebol reforms right after Park’s coup in 1961, which came shortly after the Cuban Revolution. The USA emphasised that the April Revolution of 1960 that ousted the Rhee regime was democratic rather than socialist in essence.

15. Economic liberalisation of the Kim government meant the acceleration of what had been initiated by the previous Chun and Roh governments. Chun liberalised financial markets to a significant degree in an attempt to give the chaebol more freedom to raise and borrow capital. It tried to regulate the chaebol through market regulations: it employed seemingly anti-chaebol (anti-trust) measures, applied more stringently the Fair Trade Act and introduced policies favouring smaller-scale businesses. For mergers and rationalisation policy in the 1980s, see Choi (1991).

16. The rate of exploitation (calculated as rate of surplus value = [(value added – wages)/wages] x 100) in the manufacturing sector was more than 400% in the 1970s-80s, which was nearly twice as high as that of the USA and India. See Jeong (2005, 130–131).

17. Kim Dae-Jung narrowly won the election, only ahead of his contender by 1.6% in spite of the fact that he allied with Kim Jong-Pil.

18. The new government’s vision for desirable state-market relations can also be derived from Kim Dae-Jung’s MA thesis that he wrote during his exile in the USA between 1983 and 1984 (see Kim 1985).

19. For the scale of corruption, see C. D. Kang (2002). The trials of Chun and Roh revealed that the chaebol had supplied more than US $1.5 billion to Chun and Roh in the 1980s (Cumings 1999, 35).

20. This does not mean that there were no conflicts between them and within segments of the ruling class. For hegemony struggles between the state and the capitalist class from the 1960s to the 1980s, see Suh (1989, 1990). For political and social networks including personal ties via marriages between state elites and the family members of the chaebol, see Suh (1988b).

21. For various chaebol reform proposals, from restructuring to complete dissolution, see Jeong (2005, 158–166) and Jeong and Shin (1999).

22. A similar pattern can be found in the currently dominant critiques of the top chaebol, Samsung. Samsung has been long criticised for getting away with its wrong-doings, such as illegal inter-subsidiary deals, tax evasion, money laundering, bribery and prohibition of labour unionism to the control of the entire group by the top CEO, the son of the founder, only with less than 5% of share ownership. However, the criticism of Samsung is first and foremost confined to its illegal, immoral, undemocratic and antiquated (family-run and top-down management) characteristics. See, for instance, Pressian (2008). For a liberal critique of chaebol internal structures, see Kim (2002).

23. Referring to the compatibility of the policy requirements of the IMF and Kim’s orientation, Cumings calls Kim Dae-Jung “the IMF’s man in Seoul” (Cumings 1998, 60).

24. Park Geun-Hye, the daughter of Park, was elected president in the 2012 election.

References


