

The Growth Economy and Marginalization

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Introduction

The hypotheses of this paper are that economic growth by world market-oriented industrialization in the developing countries will result in two interrelated political and social phenomena: a great increase in power of the central authority i.e. the national government and extensive marginalization. I want to examine these hypotheses using the case of the Republic of Korea's (ROK) rapid economic growth over the last decade and a half. Korea adopted a policy of industrialization which initiated rapid economic growth through importing foreign capital, technology and resources and exporting manufactured goods. The increase in power of the central authority is in effect a hypertrophy of political power and the central government on the one hand and the underdevelopment of people's political lives on the other, the people's initiatives in decision-making concerning their social, political and economic lives are sharply curbed. Marginalization includes economic pauperization, reduced social status and political non-participation.

Since the 1960s the ROK has completed three Five-Year Economic Plans and enormously increased its Gross National Product (GNP) and exports. A GNP of \$2,285 million in 1961 increased to \$9,677 million in 1972 and to \$25,018 million in 1976. Korea's annual growth rate of 7.7% between 1962-1966 increased to 10.5% between 1967-1971 and to 11% between 1972-1976. Export volume of \$40.9 million in 1961 increased to \$7,715 million in 1976 and to \$10 billion in 1977. In addition to rapid increases in the GNP and exports, the industrial structure has been transformed. The Gross Domestic Product (GDP) in agriculture was 41.4% in 1960 and decreased to 20.5% in 1976. The GDP output of manufacturing increased from 15.1% to 36.0% in the same period. The employment structure also changed. Agricultural em-

ployment decreased from 63.1% of the work force in 1960 to 43.6% in 1976, and manufacturing employment increased from 8.7% to 21.8%.

These increases in the GNP and exports and structural changes in the economy were accompanied by the increased involvement of foreign capital in the ROK economy. Korea's trade dependency relative to GNP increased from 15.6% in 1961 to 33.9% in 1970 and 68.1% in 1974.^{/1} Total imported foreign capital, in the form of investment and loans, is approximately \$10 billion, with \$8,136 million outstanding as of the end of 1976. Outstanding foreign debts were 30.8% of the GNP in 1975. More than 90% of Korea's exports are manufactured goods and over 65% of its trade is with the developed countries in 1976.

This rapid economic growth was possible because the Korean economy became part of the international division of labor through commodity exchanges and importing foreign capital. The international division of labor, by which dependency is also initiated, separates and integrates the production process at the international level to maximize profits for world capitalism. It takes different forms, however, according to the particular situations of the societies involved and to the historical stages of the world capitalism. Whatever form it may take, its mode---also the mode of dependency--- is determined in order to maximize profits for world capitalism. In the case of the ROK, the division of labor occurs in the manufacturing process, because Korea does not have any significant resources except its labor force. Therefore, labor-intensive industries are placed in Korea and the more profitable parts of the production process are carried out there to contribute to the continued functioning of world capitalism. It is in this sense that the Korean economy is most strongly influenced by world capitalism. However, this does not necessarily mean that the performance of the ROK economy parallels the economic cycle of world capitalism. On the contrary, Korea even achieved high growth during a period of world recession in the 1970s, because it is incorporated into the manufacturing sector of world capitalism. In a recession, there is a tendency to invest in dependency economies where greater profits are assured. When the Japanese and US economies were in a severe recession after the 1973 oil crisis, Korea continued high growth rate of 16.7% in 1973 and its export doubled that year. This high growth is closely related to increased capital exports by Japan after the "Nixon Shock." As a result, ROK's manufacturing output increased about 330% between 1970-1977 whereas that of Japan increased only 34%. The growth or underdevelopment of a dependent economy

is the direct result of trends in world capitalism.

The ROK government, throughout its three Five-Year Economic Plans, has pursued policies to create a capitalist 'planned' economy. The planning strategy has been to mobilize and redirect all available human, material and financial resources to the sectors that would bolster exports and encourage foreign investment. All political, military and educational institutions have been reoriented to facilitate the expansion of the export sector and those sectors related to the world capitalism. The social division of labor was changed and restructured so that the economy and society were oriented toward world capitalism. The restructuring of the social division of labor is nothing but a change in the social system, a social change, because it affects not only the redistribution of resources but also the allocation of property. Therefore, this kind of social change is the process of incorporating the social system of a dependent society into the world system. Class structure in a dependent society originates from its orientation toward foreign powers by redistributing social and material resources in favor of those closer tied to foreign powers and world capitalism. The relationship between "society" and "economy" or "political power" should be discussed in this context. Furthermore, the important tasks of the sociology of dependency should be carried out to explain social change of this kind and class relations of dependent society in this light.

The extensive marginalization on the part of the majority of population is the result of these social changes and class differentiations. Marginalization is a movement, both in absolute and relative terms, by which a majority of the population becomes outside of the system of growth economy, both a consequence of and an environment for the growth economy that is highly dependent on world capitalism. In this sense, the marginalized population is a part of the world capitalism-dependent society, but also outside the dominant society. This movement is essentially initiated by the very nature of the center society---both for a dependent society and for the whole of world capitalism---in its process of optimization of the system. This process is a process of capital accumulation in economic terms and that of domination in social and political terms. This marginalization is therefore an inevitable consequence of dependency, and cannot be overcome by economic development of the dependent society. Rodolfo Stavenhagen affirms as follows;

The marginality(sic) does not tend to disappear

with the development of agriculture, or industry and economy in general. The marginality(sic), on the contrary, is an inseparable phenomenon of the category of development---The more the economy would develop in this (capitalist and dependent)* social and political framework, the more the marginality(sic) would become accentuated./2

In fact, marginalization is not only a movement and displacement of population, but a process of a movement and displacement of the environmental, historical, social and cultural realities. Marginalization therefore is an integrated part of the capital accumulation process itself, and thus a universal phenomenon in the capitalist world. But marginalization in the dependent societies is more accentuated than in the central social formation, because in the dependent societies, marginalization occurs on the societal and class level. By accentuating the process of marginalization in this paper, I not only aim to illuminate the nature of social change in the dependent societies, but also question the meaning of their economic development.

* My addition, for clarification.

1. Dependent Growth and Political Power

The economic development of Korea in the 1960s was initiated with the import of enormous foreign capital and technology. At the time of the military coup in 1961, the military leaders did not have economic bases for strengthening their political power. They immediately planned and implemented the first Five Year Economic Plan from 1962, which was followed by the second to fourth economic plans. But with decreasing U.S. economic aid, low national savings rate and a small domestic market, they chose to depend on foreign capital for accelerated investment, and on the world market for import of capital goods and export of manufactured goods. National saving between 1962-1966 was 8% of the GNP annually, and not enough to create a high growth economy, although the gross investment, with import of foreign capital, in actuality, reached 17.3% annually at cost of steep inflation 16.7% annually in the same period. It was around this time that the Korean government positively sought foreign capital and foreign markets. The Korean government also hurried to settle diplomatic relations with Japan, which opened a massive inflow of Japanese capital into Korea, the beginning of heavy dependency on the Japanese economy. They also decided to send military troops to

the Vietnam War which brought enormous foreign exchange in the form of military personnel salaries, special procurements, etc..

Lacking in natural resources, capital, and technology, Korea's political leaders had the vision for industrialization that, from outset of Korea's "planned" development, the building of the export sector encourages other sectors; to stimulate investment by foreign capital, to export manufactured goods and labor, to pay back the foreign debt, and thereby to increase employment,--- this was seen as the road toward a 'self-reliant' economy. But the increased export could not come about without lowering wages, increasing import of capital goods, resources and technology.

This trend of the economic development paralleled strengthening political power. The source of political power has its roots, above all, in the centralized authority to allocate, distribute and dispose of available resources, financial, material and human. The government decided which sector would receive investment by holding in its grip the incoming foreign capital, technology and resources. The import of capital, technology, and resources are sanctioned by the government. The government not only governs the allocation of foreign capital imported, but also controls its fiscal priority over investment and bank loans. The commercial banks in Korea are all strictly controlled by the government main bank, because they are all financed by the government itself. Therefore, private corporations' investment for expansion has been determined by the government's policy of export-oriented economic development.

As a result of these policies, the Korean economy since 1960s can be characterized as a government-supplied economy, as distinct from the government-led economy. The success or failure of a business is completely dependent on whether or not the government supplies material, financial and legal assistance.

First of all, the government supplies, directly and indirectly, financial resources in favor of the big export industries. The financial structure of Korea's industry reveals that, in 1975, of its gross capital in circulation for production, 20% is the industry's "own" capital, 30.3% is bank loans, 15.0% from foreign capital and the remaining 35% is from private borrowing. This means that about half the capital used for production depended on the government. Decision on bank loans and allocation of foreign capital is extremely

political, because the interest rates of bank loans and foreign capital is disproportionately lower than private source interest rates. For instance, as of 1977, the bank loan interest rate was annually around 18%, and foreign loan interest rates were 9-11%, which were extremely lower than private loan rate of over 30% annually. Therefore, an access to a bank loan or foreign capital is a great privilege for any Korean business. Moreover, foreign capital is closely related to import of material and capital goods, which are generally much cheaper than the domestic counterparts. It is because of this situation that Korean business can make great profits using foreign capital to produce products to market at high rates in the domestic market. To obtain these privileges, the industries, which are very competitive, use every means possible to obtain access to bank loans and foreign capital. Bribing is a 'natural' outcome of the competitive race for access to these privileges. On the other hand, the access to privileges makes the industries tend to use more and more outside capital to expand their capacity for production, rather than re-investing their profits into the production process. This tendency is most graphically revealed in the fact that Korean businesses 'invest' their profits into land speculations or into 'private loans' to their own industries which bring them windfall profits again, and hoard their profits in secret accounts abroad to use for luxuries. To buy political influence is an easier way to make profits than to re-invest their own capital into the production process. However, to buy political influence does not mean that the industries dominate political power, but instead they strengthen political power, because the political powers can then consolidate their economic base, strengthening their base of power. The symbiotic relations between the export sector of the economy and political power resulted in the 'stability' of political power and profit of the industries on the one hand, and suppression of civil freedom and accelerated squeezing of surplus on the part of the majority of the people

The symbiotic relations between political power and the big export industries has extended to other parts of society involved in production process. A large portion of fiscal expenditure, as high as 25-30% of total central government expenditure, has been invested in social overhead capital formation such as construction of ports, transportation facilities, road and dams for agricultural development which, however, tended to largely serve to facilitate the operations of the export industries and foreign capital in

Korea.

The government policy of keeping the price of rice at low level is also an integral part of export industrialization. The Korean government has regulated the price of rice in the 1960s to provide a cheap labor force for the export industries, through decreasing agricultural population and thus flooding urban centers, and also by providing cheap rice that kept the wage level of the industrial workers low. The government could regulate the price of rice by importing rice from the U.S. and Japan. Due to this government policy, large number of farmers were forced off their land. The absolute number of the agricultural population began to decrease in 1967, when Korea began to mark high economic growth rates.

The symbiotic relations between political power and the big export industries is most directly and graphically exposed in the government policy concerning the labor movement. The Korean workers began to be strictly regulated as Korea industrialized for export and the world market. In 1970, the government made a new law pertaining to the labor movement in foreign capital-affiliated industries, by which any attempt to organize labor unions had to receive permission from the government Office of Labor Affairs. The Coordination Commission of that office decided whether the labor union in question is to be allowed. In 1971, the Korean government declared a State of National Emergency and made government permission mandatory for all labor movements of all industries in Korea. The law was later incorporated into the Constitution of 1972, which came to being under martial law, and gave the President power over the Constitution. Because of this, the labor movement issues in Korea are not simply a matter between capital and labor, but have political power involvement in labor-capital disputes. Resulting from government intervention, Korean workers have to confront secret and uniformed police whenever they begin a labor movement. The possible price they have to pay for being a part of a non-government labor movement is arrest, imprisonment and torture as well as being fired or harassed on the job.

Export and foreign industries are given many other privileges. Foreign industries in Korea are exempted from taxes of all kinds for the initial five years of operation and their taxes reduced to 50% in the subsequent three years. Regulations of a similar kind are applied to Korean export

industries operating in bonded areas and in the government-supplied industrial sites.

Many foreign capital and export industries are allowed to market their products in Korea. Because they import materials from foreign countries at a profitable rate and with loans, they can make a great profit which props up export prices. In addition to these privileges to export industries, the Korean government provided a law by which the government can requisition any land for industrial use. The big businesses in Korea have appropriated extensive lands for industrial use or speculation. To bolster export, the government will help with anything for the sake of export expansion.

The rapid growth of the economy in the 1960s depended on these privileges the Korean government provided for the export sector. Indirectly, the Korean government changed the educational system to provide a more docile and technically trained work force to these industries. General suppression of civil rights should also be understood in this context. With the achievement of the economic growth or growth in the GNP, the political leaders of Korea have tried to enhance the legitimacy of their power. When political power are weak in their legitimacy, they try to improve it by "efficiency" or "achievement" in economy.

To summarize, Korea's industrialization since the 1960s has been initiated by enormous foreign capital, which in turn made a significant source of power for political power by which they could strengthen their political power in turn. From the very nature of origin of their power, these political powers are closely related to foreign capital and foreign power. But this process of economic growth goes hand in hand with the process of social marginalization that I will examine shortly.

2. Dependent Growth and Social Marginalization

How has the process of marginalization been produced during the rapid economic growth of Korea in the last decade? Marginalization as defined above does not have anything to do with the people at the "edge" of the society. It generates, genetically, from the center of a society and can be transmitted to all other parts of the society, as that society becomes connected to foreign capital. It is not limited to the physical and social mobility of the population, but is a process of alienation of historical subjects from their genuine places in society. It does not have anything

to do with a minor part quantitatively of the society, but can involve a majority of the population. I have called the people involved in marginalization "social marginals." Social marginals, in relative terms, are in a process being deprived of their power to determine their destiny. But a dialectical twist can lead them to be subjects of their own history. Therefore, social marginals are not limited to the unemployed, slum-dwellers or the social untouchables, but more positively those who are in the process of production in society and history, because social marginals are the ones that literally produce society and history.

Farm Economy: Transmission of Dependency

In Korea, the original and fundamental source of social marginals is the disintegration of agrarian society. Due to low governmental purchase prices of rice and the intrusion of commercial capital into rural society, Korea's farm population began to decrease in 1967, when the government pushed forcefully the world-market oriented industrialization. Korea's farm population declined from 16.1 million in 1967 to 12.8 million with a drop from 54.4% to 35.7% of the total population. Taking into consideration the natural increase of population of 2.4% a year, an estimated 6.7 million farmers left their farmland in the same period. However, the increase in non-agricultural employment from 3.9 million to 6.7 million was not enough to absorb the rural people that left farmland. In short, despite rapid growth and expanded employment, there came to be a large portion of the population that were driven off the farmland, but still not fully incorporated into urban employment. The decrease in rural population is basically due to two factors; aggravating terms of exchange disfavoring farmers and requisition of farmland by the government and big businesses. The aggravating terms of exchange for farmers has been accelerated with differentiation of class structure in the rural societies. The requisition of farmland has been matched with the increasing power of the government and political leaders.

Between 1967 and 1971, growth rates of the agricultural sector (including that of forestry and fishery) was 2.3% annually whereas general economic growth (GNP) was 10.5% annually. Between 1972-1976, though it increased to 5.9%, but it was still lower by half than that of general economic growth rate of 11.0% annually. This implies that farmers' social and economic status has, in light of social and economic bargaining power with other parts of 'national economy', decreased by

8.2% every year between 1967 and 1971 and decreased by 6.1% between 1972 and 1976. This disproportionate rate of development by industries is more clearly manifested by the relative income of the industries as compared to the income of the agricultural sector. If the output of the agricultural sector is divided by the population employed in the sector and set at 100, then the manufacturing and mining sector was 199.0 in 1963, 173.5 in 1966, 234.4 in 1972 and 252.4 in 1976, and that of construction and other service sector was 210.0 in 1963, 178.5 in 1966, 189.9 in 1972 and 206.1 in 1976.^{/3} The gap between the agricultural sector and other sector is widening more and more. Relative income of the agricultural sector was rapidly declining in the latter half of the 1960s particularly, when the ROK government consistently suppressed the price of rice and other agricultural products, and when the government strongly pursued export-oriented industrialization.

Furthermore, class differentiation in the rural society is also rapidly progressing. According to the Land Reform Act of 1948, landlordism is prohibited by law. But in fact, farmers who rented the land from landlords accounts for 13% of the farm households in 1964 increased to 33% in 1970 and 25.5% in 1976. The increase of tenancy is partly due to the intrusion of urban capitalists into the rural areas for land speculation and partly due to class differentiation among farming population. Big businesses, rather than expanding their industrial investment, tended to buy up extensive land for speculation. As of 1976, it was reported that about 67.8% of all land transactions were for the purpose of amassing property and speculation, not for cultivation^{/4}. At present, average landholding of Korean farm household is 0.9 hectare. Farm households owning less than 0.5 hectare increased 39.9% of all farm households in 1964 to 47% in 1977; their total land holding was 15.1% of the total cultivated land in 1964 to 26.1% in 1977. On the other hand, big farm households owning over three hectares, which is not legally allowed, accounted for 0.6% of the total farm households in 1964 to 1.3% in 1977; their holding of the total farm land increased 2.7% in 1964 to 7% in 1977^{/5}. Further, as of 1972, it was reported that sixty-six percent of the landowners of more than 2 hectares are in effect urban capitalists^{/6}.

The deterioration of the farmers' social status was the result of the government's rice pricing policy. The government has kept the purchase price of rice low, especially in the 1960s. The suppression of the rice price was implemented

with massive imports of rice from the U.S. Food Program and Japanese surplus rice. For instance, in 1969, rice production amounted to 4 million metric tons, a 28% increase over the previous year and 13% increase from 1967, but the government imported 755,000 metric tons. In 1971, rice production reached 4 million metric tons again, but imported rice reached 907,000 metric tons, valued at \$139.8 million. The imported rice cost less than half the cost of domestic price. By importing cheap rice the government could not only suppress the rice price, but also could draw windfall profit. The Korean Catholic Farmers' Association estimated for the 1976 crop that the government purchase price was 14.6%-23.3% lower than the actual estimated production cost, and demanded that the government purchase price be raised by 38.8%-54.4% than the actual purchase price in order to guarantee a 20% marginal gains over the production costs in favor of farmers/7.

Farmers' terms of exchange were deteriorated again by the high priced chemical products farmers had to use to increase the production of rice. The consumption of chemical fertilizers increased 3.7 times from 486,000 tons in 1967 to 1,800,000 tons in 1976. The price for urea increased 79.2% in 1975. All supplies of chemical fertilizers are monopolized by the government-controlled Agricultural Cooperatives. The government purchase price of chemical fertilizers from the chemical corporations ranged from 62,246 won (Korean currency, about \$129.4) to 92,297 won per ton, but the selling price to the farmers was 122,240 won per ton/8. Most of the chemical fertilizer companies in Korea are joint ventures of foreign capital and Korean government. In their contract with foreign capital, the Korean government guaranteed a constant rate of profit to the companies, regardless of the success or failure of the business. The Korean government not only guaranteed profits to foreign capital, but subsidized the expansion of chemical fertilizer export. Korean chemical fertilizers are sold on the world market at around 45,000 won to 60,000 won per ton, less than half the price selling to the Korean farmers/9. The production, distribution and pricing of chemical fertilizer is however only one example of the mechanism of commodity relations penetrating into the farm economy. These commodity relations originates from government policy and its connection with the world market. Farmers, no matter how remote they are from the capitalist production system, are directly and indirectly affected by the dependent nature of the economy. The price of their

produce and the price they pay for manufactured good is directly transmitted from the world market system. This transmission of price system effects not only farmers but the urban population that was forced off farmland. These rural and urban population are more and more marginalized, as the Korean economy involves itself more deeply in the world market.

Urban Marginals: The Political Economy of Wage

Rural populations forced off their farmland migrated into the cities. In 1960, the population of Seoul was 2,445,402, increased to 4,707,803 in 1969, and passed 7.5 million in 1977, a three fold increase from 1960. With about 21% of the total population of 36 million, Seoul has the largest concentration of people of any capital city in the world. Two thirds of Seoul's population consists either of people born after 1960 or new immigrants as a result of this rapid increase. Taking into account the natural increase in population, the number of new immigrants between 1960 and 1976 is estimated at 3.76 million. Total immigrants into all cities is estimated at 6.7 million between 1967 and 1976. But not all of them were fully employed. In the same period, employment in the non-agricultural sectors increased 2.8 million. The rate of unemployment in the non-agrarian sectors decreased in the same period from 11.1%(456,000) to 6.3%(447,000). Despite the government claim of a low unemployment, in actuality there is a large amount of hidden unemployment or under-employment. Although the average number of work hours in a week is reported to be 59.5 hours, an extremely high rate as compared with other countries, 15.7% of the non-agricultural employees work less than 44 hours a week, which cannot be considered full employment and 17.9% of the service sector employees work less than 44 hours.

Moreover, the employment itself is also very unstable. Of 6,700,000 non-agrarian employees, 1,780,000 or 26.6% were employed on the temporary basis(no longer than six months) or daily basis(less than one month). If the self-employed and family workers are excluded from the total employment, 37.8% are employed on a temporary or daily basis. This unstable employment situation means low wages and salaries for the workers as well as larger profits for the businesses, because for daily or temporary workers businesses usually does not pay the severance pay and other allowances. This type of employment makes it difficult for the labor movement

and brings down the general wage level of the full-time employees.

The nominal and real wage has increased as the GNP and labor productivity has increased in the last decade. However, the rate of increase of the real wage is far behind the rate of the GNP and labor productivity. Between 1972 and 1976, for instance, the increase of the real wage was 8.0% annually, but that of the GNP was 11.2% and that of labor productivity in the manufacturing and mining sector was 9.5% annually. This disproportionate increase in the real wage implies that the wage-earners' social status has been decreasing 3.2% every year. But if we look into the details of the wage structure, the situation is even worse. Of the non-agrarian workers, 78.8% received less than 45,000 won a month (approximately \$94) as of March 1977, a wage so low that they did not have to pay basic tax/10, and only 8.9% earned over 100,000 won. 60.6% of the 2,150,000 workers in manufacturing received less than 30,000 won and only 13.2% received over 50,000 won a month/11, but the average monthly wage of the manufacturing workers stood at 52,345 won. Even as of 1975, the average urban household expenditure stood at 65,310 won. In an urban household, 1.3 persons are participants in the economically active population. The Economic Planning Board (EPB) estimated minimum living costs for an urban family of five to be 85,380 won in 1976. Furthermore, the Productivity Center of Korea estimated the living cost for an urban family to be 107,944 won monthly, and the estimate of the Federation of Korea's Trade Union (FKTU) was 137,572 won monthly in 1978. This means that more than 85% of Korean workers fell below the government recommended "minimum" living standard.

As is shown by the disproportionate structure of wages and salaries, not all Korean workers receive low pay. The starting salary for a university graduate in the top 100 industries in 1977 is 160,000 won a month. At the end of 1976, the wage of the production sections of companies was 50.1% of the salaries of the clerical and managerial workers. The university graduate receives 4.25 times more than a primary school graduate, 2.3 times more than a high school graduate. The women workers receive 43.9% of the salary of the male workers. The workers in the small industries with less than 10 employees receive 51.4% of the salaries paid by big industries with more than 500 employees/12. Skilled workers receive much more than unskilled workers. At present, Korean industries are short of labor, and they are seeking potential labor from the universities and often 'buy up' skilled workers from other companies or the medium-sized industries. This

is why Prof. Sumiya Mikio in his book on the Korean economy stated that in Korea, demand for labor is very high but there is also high unemployment. For instance, construction workers are very short in Korea now, because Korea has 'exported' about 50,000 construction workers to the Middle East and other areas.

This disproportionate difference in status of the farmers and industrial workers is a consequence of the government policy to create domestic markets and to prop up export. To create domestic market, the government, was unable to raise the general level of income and wages, had to create sharp class differentiation. The big landlords and those with high salaries consume some products generally exported to the world market. These domestic consumers pay a higher price than the export prices, which supports export itself. For instance, prices for electric appliances such as television, refrigerator, and washing machine, and price for automobiles are two or three times higher than the price of those sold in Japan. However, their export prices are far lower than their domestic prices.

However, the origins of low wages are not totally in the class differentiation and disproportionate levels of wages. Low wages are also determined by what portion the wages are of the industry's total financial structure. Simple comparison of wage differentials between various categories of workers is not sufficient to understand the origins of the low wage. Financial analysis of manufacturing industries in Korea reveals some important data as to this question. Out of net sales, wage accounted for only 2.42% of the total in 1972 and decreased to 2.3% in 1976. But the net current profit was 3.96% and the selling and administrative expenses (in which the major managements' salary is included) accounted for 10.8% in 1972 and the interest paid for or financial expenses was 6.5%. Moreover, in the composition of production cost, wage cost is 6.9%. Of the total added value created in the production process, personnel expenses (productive workers' wage and salaries of clerical and managerial workers) was 39% in 1972, interests and financial expenses 22.3%, and taxes and public charges was 4.9% and net profit was 14.45%./¹³ In addition, the financial structure of the industries shows that, in 1975, of all capital in circulation in the production process, 73% is loans from banks(30%), foreign loans(15%) and private borrowing(28%)./¹⁴

This data reveals that there are three major determinants that suppress the wage: businesses, government and foreign

capital. The net current profit of business is larger than the gross wages and a large portion of the added value is drained into the government either through interest on bank loans or tax and public charges. In 1977, the Korean government implemented a 10% value-added tax system. This means that workers pay the value-added tax in their production process and again when they spend their money for subsistence. The third determinants of the suppressed wage is foreign capital. Between 1967 and 1976, long-term foreign loans totalled \$9.7 billion and the direct investment of foreign capital on an arrival basis between 1962 and 1977 (till June) was \$713 million. But interests paid for the long-term loans was \$1,883 million or 19% of the total loans, and profits remitted from direct investment amounted to \$173 million or 24.3%/15. However, the way of transferring abroad value created by Korean workers is not limited to interest paid to foreign loans or profits by foreign capital operating in Korea. More value is drained when their products are sold at the world market, and when they consume the products of the world markets directly or products to which the world market prices are indirectly transmitted. Transfer of value through unequal exchange may be bigger than the drain of interest by foreign capital, because the workers' wage in Korea is said to be seven times lower than that of Japanese and eleven times lower than that of the U.S./16.

It is furthermore important to note that the profit as measured by the companies, government and foreign capital, is only the tip of the iceberg of the surplus value the workers created/17. Though it cannot be precisely calculated in terms of contemporary accounting methods, the massive military expense, salaries of police and government officials, sales margins for the middle men, and salaries of employees in the service sectors take a part of the surplus from productive labor. For instance, when workers buy food on the market, they have to pay a 40% margin created between farmers' selling price and consumers' purchasing prices/18. The same is true with farmers when they buy the manufactured goods. In this way, hidden absorption of the surplus is greater than the "profit" the companies get from the production process.

The wage, viewed in this light, is not merely a dividing line between the profit of the capital and income of the workers over the added value or value created by the workers. Wage in this sense is a sociological concept by which can be explained the relationship and conflicts not only between labor and capital but between workers and political power or foreign

capital, and also between the wage workers and salaried employees, or between wage workers and farmers. Some are in conflict, but others share a common destiny.

It is in this context that labor disputes can be truly interpreted in Korea. Labor movements in Korea are always intervened in by the government, which defends the interests of capital and foreign capital. In this sense, the wage question is also a political question, for workers cannot enjoy the fruits of their labor unless they have a government which sides with the workers. In 1977, the Korean government formed a Commission for coordinating wage questions consisting of representatives of the government, capital and representatives of the workers. The President himself ordered the "minimum wage" to be raised to 30,000 won monthly for manufacturing workers. But in effect, the recommended "minimum wage" tends to remain the "maximum" wage for many workers, because capital is only required to pay the minimum wage. This is why the majority of Korean workers receive around 30,000 won a month. Therefore, wage status has important political significance, because the government---political power--- intervention props up the capital windfall profits on the one hand, and keeps the workers at the minimum wage level.

This pre-determined system drove the majority of the urban population into slum areas. In Seoul, it is estimated that the slum population is about 2.5-3 million out of its 7.5 million. The occupational structure in 1972 shows that 28.5% are day laborers, 24.5% factory workers, 11.8% vendors, and 10.8% are unemployed/19. The population of the slums has been increasing throughout the rapid economic growth, because the source of the slum population was not eliminated. The slums continue to grow, even though the government is busily relocating the slum dwellers in towns outside the city, because its social and economic structure that generates the slums has not changed.

The social marginals will further increase as Korea pursues unlimited growth which is oriented toward deepening dependency on the world market. Korea so far has mainly squeezed labor by increasing the absolute surplus---capital driving movement. But it will enhance the organic composition of capital---capital deepening movement--- to squeeze the relative surplus. In 1977, Korea's export exceeded the \$10 billion which was originally targeted for 1981, but the commodity composition of its export was dominantly by labor-

intensive light-industry products. Of all export products, 37% are textile and garment products and 59% are light-industry products. If electric appliances are classified as products of light industry (different from the Korean government's official classification), the products of light-industry reach over 70% of all export products. To further expand the export, it will be necessary to move the industrial structure of Korea toward dominantly heavy-chemical industries. Then, they will need to import more labor-saving equipment and machines to improve these industries. As the 'advanced' countries like Japan try to replace their heavy-chemical industries with brain-intensive or software industries, transfer of the industrial structure on the world level will occur in due time. Korean industrialists proclaimed that Korea cannot achieve further growth and further expansion of export unless they abandon low-wage based export. This implies that Korea should develop their industrial structure with labor-saving devices, to cut labor input. But this means further dependency on the world market that will result in further marginalization in Korea. From this perspective, the marginalized population will not be fully absorbed in the developing sectors of the country. On the contrary, the more Korea achieves further growth, the more people will be marginalized. In a sense, marginalization is a necessary process for further growth of the economy in Korea.

Conclusion: Some Theoretical Questions on Underdevelopment

Korea's experience with rapid economic development and the resulting extensive marginalization challenges theories of economic underdevelopment. One of the main themes of dependency theory is that the dependent countries run in a spiraling underdevelopment from the moment of dependency; the development of underdevelopment. Dependency theorists such as André Gunder Frank have pointed to a chronic unfavorable balance of trade and a low economic growth rate as criteria of dependent underdevelopment.^{/20} However, recent data on Korea's economy tends to deny the relevance of these criteria, though showing an increasing tendency toward dependence. The ROK's trade deficiency is dramatically decreasing as its export volume sharply increases. At the end of October 1977, Korea had achieved a favorable balance of trade, by as much as \$110 million, although the final figure turned out to be \$500 million in the red. However, it is almost certain that Korea could achieve a favorable balance of trade, if it intended to. A more favorable trade balance

seems to be a consistent trend. Nevertheless, this does not mean that the surplus value transferred abroad was decreasing. On the contrary, the transfer of the surplus will increase as Korea's exports grows.

Korea's economic development is an undeniable fact, although it is based on extensive marginalization of the population. I think therefore that dependency is not necessarily related to the underdevelopment of the economy itself. Korea's economic development was possible only because it depended on world capitalism, and absorbed cheap labor in Korea. Marginalization in Korea shows how the developmentalist technocrats and political leaders believe in the "mysticism of growth," a sort of economism.

The underdevelopment of agriculture is frequently noted as an indicator of a dependent economy. In particular, the underdevelopment of agriculture is one factor in disarticulation or uneven development between industries/21. However, recent moves to "reform" agriculture in Korea indicate that the ROK government intends to bolster agricultural development, that is, to incorporate it into the growth economy. Two methods are planned; (1) to force more farmers off the land and establish farm corporations and (2) to mechanize agriculture either through corporations or big landlords. This "reform" will result in more use of chemical fertilizers and machinery, which in turn supports the heavy and chemical industries. It will inevitably result in greater marginalization of farmers. Seen in this light, agriculture itself will develop, production will increase and the disarticulation of industrial structures will be narrowed by incorporation into the growth economy. However, agriculture can develop without significant human input. Although disarticulation with the export sector will be reduced(which some "conscientious" economists like Prof. Sumiya Mikio think desirable), the dependency of agriculture on the world market will be deepened.

In conclusion, I want to propose that marginalization, an inseparable category of dependent development, should become the most decisive criterion to measure dependency and the consequences of dependent development. The recent economic development of Korea is one particular case among the Third World countries. But as most of the developing countries try to catch up with Korea, Taiwan, and Mexico by inducing foreign capital and technology to develop a world market-oriented industrialization, Korea may be regarded as an example of the universal phenomenon of marginalization and deepening dependency. That is, the more a Third World country attempts to develop its economy through dependency on the world market, the more political power will be hypertrophied to suffocate civil freedom and the more population will be marginalized.

Note:

1. Trade dependence here means the proportion of export and import relative to the GNP. Usually, the volume of trade itself does not mechanically constitute the composition of the GNP, because net decrease/increase of the foreign trade is only a part of the GNP calculation. However, the involvement of foreign trade is important to other factors in the GNP. This indicator of trade dependency will therefore show to what extent a country's GNP is dependent on foreign trade. A comparison, trade dependency of Japan is on the average around 20%, though it is usually claimed that Japan heavily depends on foreign trade.

2. Rodolfo Stavenhagen, Sept thèses erronées sur l'Amérique latine ou comment décoloniser les sciences humaines, Editions anthropos, 1973, pp 47-50. The author is responsible for the translation from the French text.

3. See Table on the following page.

4. Dong-A Ilbo(Korean news paper in Seoul), December 13, 1977

5. Dong-A Ilbo, December 13, 1977 and Kim Jun Bo, Introduction to Agricultural Economy in Korea(Korean), Korea University Press, 1973, p 61.

6. Kyunghyang Shinmun(Korean newspaper in Seoul), June 27, 1972.

7. Korean Catholic Farmers' Association, " A Letter of Proposal on the Purchase Price of Rice in the Year of 1976," in the Report on Cases of Labor-Management Disputes, UIM-Korea, August 15, 1977, p 27.

8. Dong-A Ilbo, July 4, 1977

9. Dong-A Ilbo, March 20, 1977.

10. Material submitted to the House Finance Committee, reported in Dong-A Ilbo, June 19, 1977. See also the editorial in Dong-A Ilbo, July 14, 1977. Other material submitted to the House Finance Committee, reported in Dong-A Ilbo, October 13, 1977, reveals a much worse situation. Of 6.7 million employees, 74.9% receive less than 30,000 won, the basic line for tax exemption. Those who were exempted from taxes increased 16.8% over the previous year.

Table: Relative Income by Industry Was Calculated as Follows:

(A) Industrial origin of gross domestic product(GDP)
% at 1970 constant factor cost

	1963	1966	1972	1976
Agricultural sector(I)	45.2	44.4	31.7	26.4
Mining and manufactur- ing(II)	12.4	14.2	21.8	32.6
Construction and other service sector(III)	42.4	41.4	46.5	41.0

(B) % of population employed by the industry

(I)	63.1	58.6	48.4	44.6
(II)	8.7	10.8	14.2	21.8
(III)	28.2	30.6	37.4	33.6
$\left(\frac{A}{B}\right)$ (I)	0.716	0.758	0.655	0.592
(II)	1.425	1.315	1.535	1.495
(III)	1.504	1.303	1.243	1.220

Relative income of the industries as compared with the
 agricultural sector

(I=100) (II)	199.0	173.5	234.4	252.5
(III)	210.0	178.5	189.8	206.1
(II)+(III)	207.4	177.2	202.1	224.5

11. Dong-A Ilbo, July 14, 1977

12. Kim Yoon Hwan, "Economic Development and Wage Policy" (in Korean), and Park Yong Sang, "The Unequal Wage Situation and the Direction of its Improvement," Shin-Dong-A, December 1977.

13. Financial Analysis, 1974, the Korea Development Bank.

14. White Paper of Korean Economy 1976.

15. Dong-A Ilbo, October 4, 1977 and Economic Statistics Year-book 1977, The Bank of Korea.

16. According to Arghiri Emmanuel in his book, The Unequal Exchange, wages are the most important factor in unequal exchange between countries. Emmanuel theorized that the wage differential between the countries is the 'independent' factor that creates unequal exchange when products are traded on the international level; surplus value is transferred to the countries of a higher wage from that of lower wage. Samir Amin further formulated that unequal exchange occurs when the wage differential is greater than the differential of productive forces (productivity). As most of the technology and capital goods are imported from abroad, it is feasible to say that the wage alone can be the determinant in the unequal exchange. However, the question of the real wage still remains, because Emmanuel and Amin discussed the wage differential in real terms, whereas a comparative method of measuring wage differential is not yet developed. It is further imperative

to precisely compute the real wage and the differences in real wages between countries. Nevertheless, as it is developed shortly in this paper, wage is not an economic concept alone, it is a sociological and political concept. Therefore, it should be discussed in terms of the sociological and political mechanisms that produce and maintain the low wages in the dependent countries.

See Samir Amin, l'échange inégal et la loi de la valeur; la fin d'un débat 1973, Editions anthropos-idep, also see Arghiri Emmanuel, Unequal Exchange: A Study of the Imperialism of Trade, 1972 Monthly Review Press.

17. Paul Baran, The Political Economy of Growth, 1973 Penguin Books, chapter two, "The Concept of Economic Surplus."

R.B. Sutcliffe's introduction is a good summary of this idea. "To Baran, the really important concept, however, is not the actual economic surplus, but the potential surplus, a concept much closer to, but not the same as Marx's surplus value. The difference here is that, for Baran, potential surplus includes the consumption spending of the state (military expenditure, for example) as well as all "unnecessary" consumption---by workers and capitalists--- and the value of the wages of unproductive labor." However, Baran's concept of surplus cannot avoid criticism as viewed from the world of the 1970s, although

it is much more a 'working' concept, pointing out the waste of the capitalist system. He assumed that the potential surplus could be available for capital accumulation in a society with a different organization from the one which exists---in other words, in a socialist society. However, socialist 'capital' accumulation should also be criticized, because it would generate some type of marginalization, if it is capital accumulation along with fetishism of growth.

18. Dong-A Ilbo, December 27, 1977.

19. A Report of a Survey of Songjong-dong Slum 1972(unpublished), conducted by sociology students at Seoul National University and Ehwa Women's University.

20. See André Gunder Frank, Latin America: Underdevelopment or Revolution 1969, Monthly Review Press.

21. See Samir Amin, Le Développement inégal; essai sur les formes sociales du capitalisme périphérique, Editions de minuit, 1973

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“記号空間論”のための広告 わたしは、“記号空間論”という作業を、目下継続中です。
1977年中に完成した断片に、以下のものがあります。

1.「性別論(予稿)」(¥50)/2.「家族の生成理論(草稿)」(¥145)/3.「『家族の生成理論』は可能か」(¥80)/4.「記号空間論(素描)」(¥70)/5.「〈遠隔対称性〉をめぐって——心的世界をどう論ずるか——」(¥160)/6.「〈言語〉派社会学の方法論的基礎」(¥105)/7.「加工品の眩暈——言語的定在」論・その1——」(¥125)/8.「構造=機能理論の射程と限界」(¥160)/いずれも未発表ですが、これらのコピーを所望の方、今後出来上るであろう草稿を入手なさりたい方は、葉書か電話で下記へ御連絡下さい。折かえし実物を送付し、のちほど実費と送料のみ申しあげます。(橋爪大三郎〒248 鎌倉市材木座5-9-11 TEL0467-22-1030 振替 横浜51782)