

The New Rich in Asia Series

Edited by Richard Robison and David S. G. Goodman

The New Rich in Asia

Mobile phones, McDonalds and
middle-class revolution

Edited by Richard Robison and
David S. G. Goodman



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<i>List of tables</i>	vii
<i>List of contributors</i>	ix
<i>Preface</i>	xi
1 The new rich in Asia: economic development, social status and political consciousness	1
<i>Richard Robison and David S. G. Goodman</i>	
2 Class transformations and political tensions in Singapore's development	19
<i>Garry Rodan</i>	
3 Growth, economic transformation, culture and the middle classes in Malaysia	49
<i>Joel S. Kahn</i>	
4 The middle class and the bourgeoisie in Indonesia	79
<i>Richard Robison</i>	
5 The Philippines' new rich: capitalist transformation amidst economic gloom	105
<i>Michael Pinches</i>	
6 Emerging social forces in Thailand: new political and economic roles	137
<i>Kevin Hewison</i>	
7 Hong Kong: post-colonialism and political conflict	163
<i>Lo Shiu-hing</i>	
8 The new rich and the new middle class in South Korea: the rise and fall of the 'golf republic'	185
<i>James Cotton and Kim Hyung-a van Leest</i>	

Percentage of urban population (1992)	74%
Total employment (1993)	19.2 million
of which professional, technical, administrative, managerial workers	10.3%
of which clerical, sales, services workers	43.2%
of which agriculture, production, transport workers and equipment operators	46.4%
Gross tertiary enrolment ratio (1990)**	15.0
Life expectancy at birth (1992)	70.4 years
Population with access to safe water (1988–1991)	92%
Total consumer expenditure (1992)†	US\$158,517 million
share of food, drink and tobacco	34.4%
share of clothing and footwear	4.2%
share of housing and fuels	15.4%
share of household goods and services	5.8%
share of health	7.3%
share of leisure and education	11.3%
Per capita energy use (oil equivalent; 1992)	2,569 kg
People per telephone (1990)	3.0
People per TV (1990)	4.7
People per doctor (1989)	1,065.7
Per capita consumption of beef (1991)	4.2 kg
Per capita consumption of poultry (1991)	4.2 kg
Per capita consumption of fish (1991)	60.3 kg
Per capita consumption of soft drinks (1992)	45.8 litres
Book titles published (1990)	39,330

Notes:

* Data refer to income shares by fractiles of households, ranked by household income.

** The number of students enrolled in the tertiary level of education, regardless of their age, as a ratio to the number of people in the relevant age group.

† The percentage figures for consumer expenditure are on selected items only.

Sources:

Euromonitor, *International Marketing Data and Statistics*, 1994

ILO, *Yearbook of Labour Statistics*, 1993

Korean Overseas Information Service, *A Handbook of Korea*, 1993

The World Bank, *World Development Report*, 1994

UNDP, *Human Development Report*, 1994

Yonhap News Agency, *Korea Annual*, 1994

8 The new rich and the new middle class in South Korea

The rise and fall of the 'golf republic'

James Cotton and Kim Hyung-a van Leest

In South Korea, aspirations to middle-class status are now very widely held, and rapid social development has led to a corresponding increase in the availability to households and individuals of disposable income for non-subsistence purchases and investments. At the same time, the lifestyle and attitudes of the very rich social stratum associated with the ascendancy of the large family-owned industrial conglomerates has provided a model of consumption to emulate for the middle and would-be middle classes. Rather than copy the attitudes and manners of the old Confucian landlord ruling stratum, Korea's middle stratum is now more likely to follow the pattern being established by the business elite. Burgeoning trade deficits are one indicator that this popular interest in consumption is perhaps premature.

This chapter discusses, in the changed conditions brought about by democratisation and continued social and economic change, the response of the state to the rise of these relatively affluent social strata and social aspirations. It will be argued that this response has been twofold and to an extent ambiguous. Initially in politics, means were sought to enhance the appeal of the ruling party to individuals of this background and outlook. Over time, and especially after the inauguration of the Kim Young-sam Administration, the burgeoning of money-based politics brought a sharp correction from the state. In policy – for reasons of the balance of trade but also in the interests of public morality – the state has sought to constrain manifestations of an affluent lifestyle, but has found that a general commitment to liberalisation and deregulation has lessened the availability of effective policy levers.

POLITICS AND SOCIAL TRANSFORMATION

The democratisation of the Republic of Korea in 1987 introduced new ambiguities and tensions in the relationship between the state and society.

Until that time it could be maintained that the state in Korea was largely an autonomous entity, dominated by members of a relatively narrow coalition of interests, principally drawn from sections of the military assisted by senior bureaucrats. The initial priorities of the Park Chung-hee regime, which came to power in 1961, were austere, with conspicuous consumption and profiteering targeted for harsh measures. Chun Doo-hwan (president 1980–1987) began with a purge of those who had used public office for profit, although his rule later became synonymous with a series of incidences of corruption (Chun's own brother serving a prison sentence in 1988 for appropriating revenues from the government's rural extension, the *Saemaul Undong*). Chun was also forced to return to donors more than US\$40 million which he had collected (with the assistance of a former finance minister and the chairman of the Hyundai corporation) to establish his Ilhae Foundation which was intended to serve as a power base during his retirement.

But Park initiated, and with significant modifications Chun continued, a policy of rapid export-oriented industrialisation which was to have effects on Korean society that ran counter to this commitment to austerity. On the one hand this strategy transformed the social structure, creating not only a sizeable working class, but also an increasingly significant middle class. The latter included managers, technical personnel and business proprietors, as well as the bureaucrats and administrators who were an integral part of the government's programme. In addition, the particular vehicle that Park employed to achieve industrialisation was the large manufacturing and services conglomerate, the *chaebol*.¹ The relative size of these conglomerates can be judged by the fact that the value of the sales of the ten largest has in some years been equivalent to around 60 per cent of the Korean GNP.² As these were almost invariably family owned, a small group of extremely wealthy industrialists emerged to occupy the upper slopes of the social pyramid.

Many mechanisms were devised, however, to constrain consumption and prevent all but a very few from pursuing an affluent style of living. Even at present the Korean won is not a fully convertible currency, and until 1986 overseas travel was not generally permitted and the amounts of money that travellers could take or have remitted abroad were small. The structure of the Korean market prevented the importation of many foreign goods, and long working hours (on average fifty-three hours per week in the manufacturing sector in 1985) limited the time that could be spent on personal indulgence. In this respect as in many others, the Korean social and political systems are in transition.

NEW SOCIAL STRATA

Given the rapidity of Korea's transformation, both the middle classes and the owners of the large combines and their associates are, in a sense, Korea's 'new rich'. The precise dimensions of these strata are a matter of some dispute among analysts of Korean society.

Although a degree of ambiguity exists in the usage of these terms, Korean scholars generally distinguish between the new middle class or stratum (*sin chungan-gyegup*, *sin chungan-ch'ung*) and the old middle class or stratum. Han Sang-jin, for example, categorises the new middle class as those who are 'workers in both private and public institutions; [while] the old middle class . . . are those who are generally the owner-managers of sales, service, or business enterprise linked to production'.³

In the early 1980s such leading academics as Professors Kim Yong-mo, Hagen Koo (Ku Hae-kun) and Hong Tu-sung defined the middle class by way of a combination of Marxist class theory and Weberian social status theory. Their main premise was that Korean society had not yet attained a thoroughly modern class structure, but was as yet characterised by a 'quasi-structure'. Ku argued that, along with new class features, elements of the older class structure still existed. He identified the new middle class as emerging from three groups in society: those in industry (mainly white-collar workers); officials and technocrats in the public service; and the urban and rural petty bourgeoisie. Basing his analysis on statistics for 1975, Ku identified 10.5 per cent of the population as the new middle class.⁴

In a more recent work which takes a similar approach, So Kwan-mo has argued that the new middle class (or 'new middle stratum of various groups') has grown from 4.3 per cent of the entire class structure in 1960, to 6.8 per cent in 1975, to 11.0 per cent in 1985.⁵ So stresses the political and social variability of this group, arguing that much of its character derives from the fact that it lacks independence, being caught between labourers and owners of capital. Reviewing the evidence, Hagen Koo accepts the estimate that the 'new middle class' – all non-manual workers, but excluding those who are self-employed – comprised 17.7 per cent of the population in 1980 (an increase from 6.6 per cent in 1960). Excluding lower-level clerical workers from this group still produces a figure of 10.5 per cent.⁶

From sample survey data (Table 8.1) it is clear that around 33 per cent of Koreans designate themselves as 'middle class'. In addition, with the average monthly income in Korea standing at around 900,000 won (in 1991), the fact that more than 20 per cent of Koreans classify themselves as engaged in employment associated with middle-class status, income and

Table 8.1 Occupation, class identification and income

	%	(Case)
<i>Occupation</i>		
Self-employed farming	17.1	(213)
Self-employed trading	10.8	(136)
Blue collar	14.2	(177)
White collar	16.2	(202)
Housewife	32.9	(411)
Student	3.6	(45)
Other/unemployed	5.2	(65)
<i>Monthly income</i>		
Less than 600,000 won	33.6	(421)
610,000–1,000,000 won	40.5	(505)
More than 1,010,000 won	25.9	(324)
<i>Self-assessed class</i>		
Lower class	26.6	(333)
Lower-middle class	33.9	(423)
Middle class	33.0	(413)
Upper class	6.5	(81)
<i>Sex</i>		
Male	49.5	(619)
Female	50.5	(631)

Source: National 1,249 sample survey of adult Korean population, weighed according to census data, conducted in November 1991 by Gallup (Korea) according to a survey design by James Cotton

occupation data confirms the impression that this stratum is now a sizeable element in the Korean population. It is also noteworthy that a larger proportion of the population than that identified by objective indices would describe themselves as middle class. If the middle class is a significant stratum, aspirations to middle-class status are even more widely held.

As to the social elite, marriage alliances have tended to produce an interlocking social stratum in the upper reaches of Korean society. On the one hand, a number of second- and third-generation members of the *chaebol* families have intermarried, helping to establish a common social reference group for the most affluent and powerful elements of Korean society. On the other, some of their siblings have formed marriage alliances with key members of the military-political and bureaucratic elites. To take

some examples, the family of the leading conglomerate, Samsung, is now linked through marriage to the families of Lucky-Goldstar and Tongbang Saenmyong. Former president Roh Tae-woo also developed connections with the families of the *chaebol*; Ch'ae Chong-hyon, the proprietor of the Sonkyong group, is father-in-law to his daughter, and Sin Myong-su, of Tongbang Yuryang, is father-in-law to his son.

The influence of these relationships on Roh's approach to economic and industrial policy was often a matter for speculation in Korea. It has been alleged that the influence of Sin Myong-su was instrumental in the government's decision to lower interest rates at the beginning of 1991. Indeed, the role of these informal connections can be detected in bringing the factions of the Democratic Liberal Party (DLP) together in the grand coalition of 1990. Sin Myong-su has been a long-time supporter of Kim Young-sam, by virtue of the fact that Kim's father and Sin's father were close friends. Having joined with Roh's party in 1990, Kim was designated as presidential candidate for the subsequent elections by the DLP, and became in effect Roh's appointed successor.⁷

In addition to the new middle class and the elite families, a speculative stratum has also appeared. According to an estimate made by the Office of National Taxation Administration, the 'idle' super-rich (*muwui-dosikja* or *yuhan-jok*) who do little but 'eat and play' total approximately 70,000 to 80,000. These individuals made their fortunes largely either from 'trading in real estate in the 1970s' or from 'investing money in the 1980s'. Of these people, about 30,000 are private money-lenders (given stringent official financial rationing, essential functionaries in the Korean economy), owners of real estate, dealers in stock or owners of pleasure resorts.⁸ Their personal fortune, which totals around 8,000 billion won (about US\$10 billion) was equivalent to one-fifth of the GNP in 1982. The size of the underground economy, in which these individuals play an important role, is estimated by some economists to be as much as 40 per cent of the national economy. In 1990, a special presidential team investigated 470 people throughout Korea, who were identified as leading figures of society who indulged in an extravagant lifestyle while they engaged in speculating in real estate. The government subsequently estimated the size of the 'unearned income' thus derived to be 'as much as the size of the GNP'.⁹

MANIFESTATIONS OF THE AFFLUENT LIFESTYLE

As there have been six changes of political regime in Korea since 1948, the era that began with the democratisation of 1987 is generally known as the sixth republic. However, some commentators found it more appropriate to

refer to the Roh Tae-woo era as 'the golf republic'. Indeed, while Roh Tae-woo was the incumbent of the Blue House (the Korean presidential complex) he not only presided over a golf boom, but was sometimes personally involved in the procedures that led to golf-course licensing and construction.

By September 1991 there were 60 golf courses in operation throughout Korea, with a further 118 under construction. Of these, 81 were within the Seoul metropolitan area (28 presently in business, 53 under construction). The cost of these 118 facilities has been estimated at 3,000 billion won (US\$3.7 billion), a sum equivalent to that being spent by the Korea Housing Corporation for the construction of 180,000–200,000 smaller housing units which were being built at the same time to alleviate the accommodation shortage.¹⁰ Golf-club membership is stratified, with some clubs reserved exclusively for senior members of the *chaebol* companies and other important figures. The prices of items of golf equipment often run into thousands of dollars, and multiple golf-course membership cards for the serious player can cost from 16,000,000 to 185,000,000 won (US\$20,000 to US\$230,000) each.¹¹

The golf boom which occurred during the Roh Tae-woo administration was labelled by some commentators as 'the new absurdity of the sixth republic'.¹² Owning a golf course is a common objective of the Korean *chaebol*, and associating with golf-course owners is often the wish of government officials of all ranks. Yet land suitable for golf-course development is extremely scarce in a nation as mountainous as Korea, which is also the world's third most densely populated country. Already, golf courses occupy about 18.6 million *pyong* (6,150 hectares) or about 0.3 per cent of the entire agricultural land of Korea.¹³ Given the continued emphasis on the need for Korea to produce its own staple foods such as rice (the market for which, despite international pressure, is as yet closed to international competition), and the fact that participation in golf is only available to the rich and leisured, further golf-course construction is not popular with the public. In the Roh Tae-woo era, after a public outcry, permission was withdrawn for four of the leading *chaebol*, Samsung, Lucky-Goldstar, Tong-a and Korong, to develop golf courses.

Golf and leisure development in the Korean context requires three fundamental conditions; money, power and connections. While the first is available, the other two conditions have often been crucial. Developers endeavour to involve former and serving officials and assemblymen in lobbying for permission to construct these facilities. According to one investigative journalist, the record of the Roh administration speaks for itself:

As soon as [the officials from] the Blue House became involved [in the process of allocating permits for golf-course construction], administrative organisations collaborated with developers and issued more licences for golf-course development in the last three years than were issued in the previous twenty years.¹⁴

Interest in playing the stock market – often on the part of middle-class housewives in traditional mutual credit groups (*kye*) – has grown apace with interest in playing golf.

While Korea has experienced a golf boom, other forms of leisure and pleasure-seeking have also proliferated. According to a study carried out by the Seoul City Hall, pleasure resorts, hotels (including Japanese-style love hotels) and massage parlours have significantly increased in number. While there were 713 pleasure resorts in 1983, there were 1,211 by 1986. In the same period the number of hotels increased from 658 to 853, and massage parlours from 57 to 122.¹⁵ Luxury European imports have also entered the Korean market. In a survey of the availability of imported luxury items of clothing, sometimes being sold at prices three times higher than in their country of origin, consumers were quoted as saying that they bought such commodities 'even though they cost much more, simply because they want to look better'.¹⁶ Meanwhile, the price of real estate escalated in a manner comparable to that seen in the Japanese market, increasing on average by 29.5 per cent in 1988 and by 32 per cent in 1989.¹⁷

Along with the development of such manifestations of affluence has proceeded a deepening monetisation of relations conveying status and advantage. To take a prominent example, university entrance is a key step on the way to social and professional advancement, especially if it is secured to what are agreed to be the top institutions. Applicants must sit a stringent entrance examination, and if they are unsuccessful sometimes wait a year or more to try again, meanwhile enrolling (at a considerable cost) in a crammer institution (*chaesu hakwon*) to improve their chances. Admission has sometimes been available, however, for cash. What is most noteworthy – in a culture in which the exchange of envelopes of money is not unusual – is the size to which the sums involved have grown. Three instructors at Korea's most prestigious university for women, Ehwa, were recently convicted for accepting bribes totalling 110 million won (US\$142,000) in exchange for agreeing to admit a student.¹⁸ Lesser institutions, of course, are likely to accept lesser amounts.

THE STATE RESPONSE: POLITICS IN THE ROH ERA

Prior to 1987, the Park and Chun regimes did not need to address directly the needs of the emerging middle and upper social strata. Not being dependent upon an electoral following, these governments could afford largely to ignore public opinion. There was, however, some awareness that the methods used to control other elements of the population – notably, government-sponsored corporatism and interest absorption – were less effective for the middle classes. Indeed, elements of the middle classes undoubtedly played a major role in the political upheaval of 1987, when they appeared on the streets of Seoul to protest Chun's failure to persist with democratisation.¹⁹ Regarding the *chaebol* owners and their associates, as the conglomerates were typically dependent upon the state for finance and market access, it was easier to discipline these strata even while their share of the national wealth continued to grow, and while they began to engage in the beginnings of transnational corporate strategies. The case of the Kukje corporation, at the time the sixth largest of the conglomerates, illustrates this proposition. In 1983 Chun forced the corporation's proprietor to relinquish his holdings in favour of another conglomerate, allegedly because Kukje had failed to support sufficiently the president's Ilhae Foundation.²⁰

Democratisation has changed the relationship between the Korean state and society, and no more so than in the case of the new middle and wealthy classes. There are signs of a debate within the ruling party on the ways in which a political response could be framed that would attract not only the middle class, but that mass of the population (probably a majority) who think of themselves as having an affinity with the middle class and who aspire to a middle-class style of living. Former prime minister No Chae-bong has argued that until the 1980s the middle class was not sufficiently distinguishable, either by function or self-conception, from the lower strata. Yet without a sizeable and autonomous middle class, democracy is not possible in Korea. However, No is clearly of the opinion that as yet, while the middle class is now large, 'they do not fully function as the "main force" of Korean society, because they lack solidarity and they indiscriminately support opposition groups that are harmful to their own good'.²¹ From the other perspective, radicals have complained of the middle-class interest in stability and conservatism, Ch'oe Chang-jip going so far as to maintain that their commitment to democratic values is superficial, and that with the onset of a crisis 'they would prefer to return to a strengthened authoritarian system' in order to continue to enjoy material benefits.²²

Without significant ideological or policy differences, the major political parties have therefore found it necessary to compete for the electoral support of this stratum. Prior to 1990 the four main political groupings were essentially regionally based, with each in competition for the vote of the capital city (which accounts for around 26 per cent of the total vote). The party realignment of 1990, which brought together three of these four groupings, was intended to deliver continuing support to a potentially hegemonic coalition. On the one hand the newly formed Democratic Liberal Party would henceforth command the three home regions of Roh Tae-woo, Kim Young-sam and Kim Jong-pil; respectively Taegu-North Kyongsang, Pusan and Ch'ungch'ong. On the other, the electoral strategy behind this manoeuvre attempted to take into account the changing political sociology of the Korean electorate. Survey evidence suggests that, along with regional sentiment, level of education (itself one of the indices of class in Korea) is an important variable in voter choice. In the electoral contests of 1987 and 1988, Roh's Democratic Justice Party appealed to less educated voters, whereas Kim Young-sam's Reunification Democratic Party was more strongly supported by the better educated. As educational levels rise (and regional sentiment diminishes), the impact of the education variable in voting behaviour can be expected to be even greater.²³

Given that democratisation deprived the regime of many of its traditional levers of social control, the political and party elites found it necessary to devise new instruments of direction and influence. Forging an electoral coalition has been a major priority, but in the foreground of politics in the early 1990s the most noticeable feature was the emergence of a leadership and party style crucially dependent upon money and other resources. Money politics is no novelty in Korea, but in the Park and Chun eras money was used as an adjunct to more direct rule and influence wielding. It has been maintained that in the National Assembly elections of 1988 (the first parliamentary elections in the new democratic era), successful candidates for the (then) ruling party, the Democratic Justice Party, were required to expend more than US\$1 million each.²⁴ President Roh Tae-woo admitted that he paid 5 million won to officials of the Seoul city administration during the presidential elections of 1987. The National Assembly elections of April 1992 were even more expensive, perhaps three times as much as those of 1987.²⁵ Neither was the opposition untainted in this respect, although the sums of money involved were undoubtedly smaller. The Democratic Party of Kim Dae-jung was exposed by a disillusioned former member for its practice of offering for purchase, places on the party's list of candidates for the National Assembly ballot (the first few of whom, under the Korean electoral system, were assured of acquiring a place in the legislature).

When such sums of money are expended, they must be raised, and correspondingly some benefits must be disbursed. Information about this phenomenon is bound to be fragmentary, but as a consequence of the judicial process, some instances have entered the public record. The Suso housing scandal, which came to light in late 1990, involved the payment by a construction company chairman of bribes and political donations amounting to 1.2 billion won (around US\$1.67 million), including 200 million won to the opposition Peace and Democracy Party. The presidential secretary for sports and culture, Chong Tae-su, and five parliamentarians acted as intermediaries for the company, lobbying Cabinet members and government officials. This case came to light largely because of the blatant fashion in which the construction company, at a time of severe housing shortage, circumvented planning and zoning rules to build in a designated green-belt area a luxury apartment complex. Members of housing cooperatives (specially constituted to evade the lengthy queues for newly constructed housing) who would buy the apartments stood to gain quick profits by reselling their purchases.²⁶

The previously stringent electoral law, which officially required party donations to be channelled through the state's Central Election Management Committee, was amended to permit the establishment of Japanese-style support organisations in constituencies. If fund-raising became easier, the new political climate also increased the likelihood that disgruntled donors might complain that they have not had a fair return for their investment. Thus Chung Ju-yung, founder of the Hyundai conglomerate, publicised the fact that he was required to donate US\$6.5 million per year to the ruling party every year from 1988, but this did not protect him from intrusive tax inspection and other forms of government interference.²⁷ Indeed, Chung Ju-yung's subsequent revolt against the Democratic Liberal Party's stewardship of the political system was emblematic of the difficulties that politicians faced with the erosion of the formerly autonomous state. This episode also reflected the very considerable resources available to the owners of the conglomerates, and the fact that, having in many cases embarked upon the beginnings of a transnational corporate strategy, they were not as beholden to the state as in former times.

Though a close associate of Park Chung-hee, Chung's differences with Chun Doo-hwan began in 1980 when the president required Hyundai to relinquish one of its affiliated subsidiaries to the state in the name of industrial reform. Difficulties in relations with the Roh Administration arose over policy, Chung being opposed to the construction of a high-speed passenger railway linking Seoul with Pusan, and escalated as the Hyundai honorary chairman expressed public criticism of the government's

economic management. A tax audit of the group then followed, with Chung being required to pay back taxes of 136 billion won (US\$180 million). Hyundai began to experience difficulties raising credit, and also capturing government contracts. Chung went so far as to complain that the president did not appear to do anything 'except for the constituents of Kyongsang Province and for his own in-law families'.²⁸ With his group experiencing more trouble with the government, Chung lodged a law suit against the Blue House on the grounds that Hyundai Construction had yet to receive a payment of 22.5 billion won (US\$28 million) for an extension that the company built to the Blue House.²⁹

Ultimately, Chung's response was to form his own political party, the Unification National Party, which, with the assistance of munificent finance and the presence on its ticket of a number of leading theatrical and media personalities, captured 31 of 299 seats in the 1992 elections for the National Assembly.³⁰ Encouraged by this show of support, Chung then ran for the presidency against Kim Young-sam and Kim Dae-jung, securing 16.3 per cent of the national vote. In the process Chung disrupted the conservative consensus and, given Korea's unique political sociology, sought for himself the role of power broker. Whether his motives were to gain some political leverage for his business interests, or to sound a warning that henceforth the government could not take the *chaebol* for granted, is still not clear. But these developments demonstrated that those political circumstances that allowed the government to enjoy the cooperation of the business conglomerates have been replaced by new political forms.

One influential business figure characterised the relationship between the conglomerates and the government of Roh Tae-woo in the following terms:

The third republic [of Park Chung-hee] was the period when the objective of the government to achieve economic growth coincided with the pursuit of profits by the corporate enterprises. . . . Therefore, the supply of funds for political activities was directly correlated with the prosperity of the enterprises. By comparison, under the fifth republic of President Chun, corporate heads found it more difficult to read the government's mood. . . . Nevertheless, it was a period during which we experienced very little trouble, as long as we satisfied the wishes of the regime. However, under the sixth republic, nothing is certain. Now, following the middle phase of the sixth republic, [under Roh Tae-woo, we] have to study [their mood], although the burden of providing funds remains unchanged, and we receive very little benefit in return.³¹

In their attempts to build a hegemonic party, the faction leaders of the Democratic Liberal Party still have some way to go.

THE STATE RESPONSE: POLICY IN THE ROH ERA

After a brief four-year interval in which the current account was in surplus, the South Korean economy returned to deficit in 1990. The deficit for 1991 grew to US\$8.8 billion, and with high (9.7 per cent) inflation, signs of a declining savings rate and reduced capital investment, the economic policy managers sought to fashion means to return a measure of austerity to the national household. In so doing they responded not merely to economic signals but to a distinct mood of concern in public opinion. Their task, however, was complicated by the multiple elections of 1992, the sheer size of the Korean economy, and also by their inclination to see the problem less in structural than in moral and nationalistic terms.

In 1990 the government launched a frugality campaign in an endeavour to restore the trade balance. Imported 'luxury' items disappeared from shop windows, and firms specialising in importation found themselves the subject of scrutiny from taxation authorities and trade officials. When this strategy resulted in complaints from the United States, the campaign was quietly abandoned, Seoul undertaking at the 9th Korea-US Economic Consultations to remove any impediments introduced in customs procedures or import distribution as a result of its austerity drive.³² However, it is clear that the government sought other means to achieve the same objective. In 1991 these took the form of an ostensibly privately organised campaign against conspicuous consumption, which was pursued under the moralistic slogan of 'new life, new order'. Despite being established as a private initiative, this movement also attracted complaints from Washington that it was unfairly directed against imports.

Although excessive importation was frequently blamed for Korea's economic difficulties, a boom in construction activity as well as deeper-seated structural problems were among the root causes. In September 1991 measures were announced for managing international earnings and outlays, and 'slowing down construction and business for domestic consumption, promoting the local manufacture of machinery, and controlling excessive popular spending habits'.³³ Yet these and other measures did not prevent much criticism being voiced of post-1987 political and social trends. Many leading figures, such as Ch'ae Se-hyang, Managing Director of the Korea Traders Association, argued that focusing government priorities on 'democratisation and the social balance' to the neglect of other issues resulted in 'problems of manpower and capital in the manufacturing industry' and also 'a change in worker attitude towards difficult work which now tended to be avoided'.³⁴ The view is sometimes expressed that the middle class having been in the forefront of the fight for political reform, its prosperity is now

being threatened by the uncontrolled rise in wages which is commonly seen as 'the price of democratisation'. Since 1987, wages for labourers have doubled, and at US\$4.16 per hour compare unfavourably with those paid in Taiwan (US\$3.98), Singapore (US\$3.78), and Hongkong (US\$3.20).³⁵

While failing to address middle-class fears sufficiently, the government was forced to call the *chaebol* sector to account. The government claimed that part of the reason for Korea's faltering economic performance arose from the tendency for the large business conglomerates to invest in speculative real estate rather than in productive facilities. This generated the further problem of driving up the price of land at a time when there was a severe housing shortage, particularly in the capital.

In 1990 the government requested the *chaebol* to sell all land in their possession not used for purposes related to their business. In the meantime it was made more difficult for the conglomerates to acquire more land, or to earn income from land.³⁶ It emerged that at a time of acute land and housing shortage, forty-eight business groups held 240.4 square kilometres of real estate categorised as non-business. In 1992, with about half of this land still held, the government announced that it would be acquired by a state-run corporation, with the owners receiving compensation in the form of bonds. Meanwhile, however, the Korean Economic Federation (Chonkyong-nyon) complained that such controls upon real estate acquisition violated basic rights.³⁷ The slowness with which the conglomerates responded to government direction was a contrast with the situation which prevailed before 1987. For their part, the *chaebol* put pressure on the government, and particularly (then) Deputy Prime Minister Ch'oe Kak-gyu, to address their needs in the seventh economic plan, which covered the period to 1996.³⁸

In addition to exercising controls, the state began to take the initiative in addressing new problems related to quality of living which have begun to be of popular concern, especially to the middle class. Environmental problems, and particularly those concerned with the safe supply of food and water, have demanded more of the government's resources and time in the sixth republic. To take the example of drinking water, two incidents in 1991 in which a major drinks manufacturer released toxins into the Naktong River, the source of water supplied to the city of Pusan and the Kimhae plain, led to the publicising of many complaints over the provision of this essential commodity. According to a survey conducted in 1991, 92.2 per cent of respondents in Seoul expressed the view that drinking water from the tap made them feel uncomfortable, and only 6.6 per cent felt that it was safe.³⁹ As a consequence, more exclusive apartment complexes have been installing plants that extract ground-water for household consumption. In

responding to these concerns the government, while spending increased sums on environmental works, also banned the sale (except to foreigners) of bottled drinking water, perhaps in order to prevent a loss of popular confidence in the water supply. But the government has as yet shown only a limited ability to deal constructively with the citizens groups and other manifestations of civil society that have emerged since 1987.

KIM YOUNG-SAM AND THE NEW KOREAN POLITICAL STYLE

When Kim Young-sam assumed the presidency of South Korea on 25 February 1993, he pledged to follow policies designed to create a 'new Korea'. In his inaugural address he stressed the need to eliminate official corruption, reinvigorate the flagging economy and restore a sense of national discipline. In a self-conscious gesture by which Kim wished to signal a break with the past, the president announced that he would not play golf during his tenure of office, and urged his senior officials and party members to follow his example and live a more frugal life dedicated to service. In response, civil servants and politicians deserted the fairways, and luxury restaurants and resorts complained of a significant lessening of patronage. Whatever other continuities persisted, Korea ceased to be the golf republic.

Kim vowed to reverse the trend towards the monetisation of politics. He pledged that he would not accept funds from business while in office, and also inveighed against the common practice of accepting favours in exchange for cash or other benefits. A new relationship began to emerge between the political leadership and the *chaebol* sector, in which matters of policy rather than political funding became the more significant.⁴⁰ In pursuit of cleaner politics, Kim then required all Cabinet members and members of the ruling Democratic Liberal Party in the National Assembly publicly, along with senior bureaucrats, to declare their personal assets. In a political system in which influence and office buying were fast becoming institutionalised, this was a bold but also a potentially risky strategy.

It then became a matter of public record that many senior political figures were wealthy men, particularly through the ownership of real estate, a delicate matter in Korea given the shortage of land and the many housing and property scandals that had come to light during the Roh Administration. Following these disclosures, the ruling party found it necessary to effect a purge of senior members. Eleven Assembly members, including the Speaker, were urged to give up their seats or leave the party. This purge also affected officialdom, with almost 1,000 bureaucrats demoted or dismissed.

Though a move to counter corruption, this development was also part of a political strategy. When in 1990 Kim Young-sam brought his political movement into coalition with the then ruling party, he was forced to share power with the political machine of former President Chun Doo-hwan and President Roh Tae-woo, a political machine dominated by former military figures most of whom were from the common hometown of Chun and Roh. While Kim acknowledged Roh's contribution to the process of democratisation, his alliance with Roh's machine was chiefly one of convenience. This can be seen from the fact that of the eleven senior politicians censured by the party, only one was not a member of Roh's faction. This is not to say that Kim Young-sam's supporters altogether escaped the effects of the new climate in Korean politics. Two of Kim's original Cabinet, his appointee as Mayor of Seoul, and his party secretary-general were all forced to resign as a result of misdemeanours (real estate speculation, and gaining back-door admission to university for their children) which in the past would not have been publicised.

A further consequence of Kim's measures was that many politicians and officials who had speculated in land now scrambled to sell their assets. Land prices plummeted as a result, thus addressing, at least in the short term, one of the major sources of public complaint in the Roh era.

Having purged those around him, Kim then initiated a series of inter-party negotiations aimed at producing a new and cleaner electoral procedure. In March 1994 a comprehensive electoral law was adopted by the National Assembly. Under the law, the amount of money that candidates may spend is restricted and limited to funds channelled through registered bank accounts, and candidates may lose their seats or be disqualified for public office for a considerable period if the law is transgressed.⁴¹ Although such laws have been on the statute books in the past, this is the first time that a framework has existed with effective mechanisms to superintend the electoral process. It should also be seen in the context of another of Kim Young-sam's reforms. The 'real-name' financial system introduced in 1993 prohibits the use of bank accounts and the transaction of bank business using an assumed name. While this has been designed to control the financial market and eliminate tax evasion, it will also make violation of the electoral law extremely difficult.⁴²

Without waiting for the new political laws to come into effect, the state moved to discipline Chung Ju-yung. While in a sense a victim of the old politics, having entered the political arena Chung was less reserved than any other in exploiting its possibilities. During the presidential campaign of 1992 it was sometimes difficult to distinguish Chung's party from his industrial group, with party rallies resembling employees' gatherings, and

Hyundai personnel prominent in the party machine and executive. Following the presidential elections, Chung Ju-yung was prosecuted upon charges that he had contravened the electoral law by using 43 billion won (US\$50 million) of Hyundai company funds to finance his candidacy. Although eventually acquitted of these charges, he was found guilty on a charge of embezzlement, and was sentenced to a four-year probationary term.

In policy matters, the Kim Young-sam Administration faced a dilemma that has yet to be resolved. On the one hand, Kim was generally committed to financial deregulation and the termination of many state controls. The realisation of these aims would leave Korean consumers more in a position to follow their own inclinations, whether in matters of consumption or of lifestyle. Kim's commitment to frugality, exemplified in his abandonment of golf, to be effective seemed to require stronger government intervention. The state has been more and more in the position of taking a stern line against extravagance, while undermining what policy instruments remain that could be used to restrain it.

CONCLUSIONS

The perils of affluence have arisen in a Korean society that is increasingly complex. Rapid economic and social change has eroded old social structures while altering expectations, particularly on the part of the new middle class. At the same time, democratic transition has removed many of the features that characterised that 'strong' or 'autonomous' state which has existed in the Republic of Korea almost from its inception. As the state grapples with the need to develop new means of control and influence, factional realignment and generational change in the political parties have rendered it difficult to follow any consistent strategy. At present the Korean state confronts a dilemma that derives ultimately from ambiguities in the grounding of its legitimacy. On the one hand the state stands as the inheritor of a Confucian and thus moralistic idea of governance, while on the other it is seeking to move to a less regulatory policy environment in which consumers and citizens will have greater freedom to follow their own inclinations.

Korean society can therefore be seen as, in many respects, still emerging from its authoritarian and Confucian inheritance in politics and culture. The old values frequently clash with contemporary aspirations for democracy and an open economy, resulting in the paradox that, while spokesmen for the 'new middle class' frequently argue for democratic reforms and insist upon some measures of political and economic equality, their own values and behaviour often remain rooted in notions of hierarchy and the

privileges that come from personal connections. Furthermore, the rise of consumerism in Korea is clear evidence of the deep impact of elements of a specifically modern consciousness. The needs of the Korean middle class in both soul and body are therefore ambiguous and contradictory. The Korean middle class attempts to acquire elements of both the ways of the old Confucian elite (for example, the status that comes from formal learning) and the lifestyle of the most affluent of the new social strata. For this reason, some Korean critics maintain that a way of life and aspirations unique to the middle class have yet to develop.⁴³

NOTES

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- 13 Chang Song-uk, op. cit., 487-488.
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