

University of Warwick institutional repository: <http://go.warwick.ac.uk/wrap>

A Thesis Submitted for the Degree of PhD at the University of Warwick

<http://go.warwick.ac.uk/wrap/1233>

This thesis is made available online and is protected by original copyright.

Please scroll down to view the document itself.

Please refer to the repository record for this item for information to help you to cite it. Our policy information is available from the repository home page.

Demystifying the Developmental State

A Critique of the Theories and Practices of the State
In the Development of Capital Relations in Korea

by

Dae-oup Chang

Centre for Comparative Labour Studies

Department of Sociology

University of Warwick

A thesis submitted in partial fulfilment of the requirements for the
degree of

Doctor of Philosophy in Sociology

University of Warwick, Department of Sociology

March 2003

Contents

List of Tables	vi
List of Text Boxes	vi
Acknowledgements	vii
Abbreviations	viii
Abstract	x
Chapter 1: Introduction	1
New reformism and the late blooming of statism in Korea	1
Demystifying the practice and theories of the developmental state theories	6
Chapter 2: The Mystified State: Explaining the State in the Economic Miracle	14
Introduction	14
1. The Neo-classical Ideal State and the Economic Miracle	15
2. The Developmental State Debate	23
Strong disciplinary state over the private	23
Co-operative autonomy and its mechanism	27
3. Explaining the Specific Autonomy by Bringing the State Back in	31
Deriving the autonomy of the state from the organisational features of the state	31
Bringing the state back in	34
The contradictory basis of the capitalist state and unresolved question	37
Concluding Remark	46
Chapter 3: Marx's Theory of Value and the Critique of Capitalist Social Relations	48
Introduction	48
1. Unresolved Question: The Form of the Capitalist State in the Marxist Tradition	49
Orthodox tradition	49
State autonomy vs essentialist debates	56
The state as a moment of formal abstraction	61
2. Marx's Theory of Value as a Critique of Capitalist Social Relations	64
Marx's critique of capitalist social relations	64
Marx's theory of value and the nature of capitalist domination	69
Concluding Remark	77
Chapter 4: The Reproduction of Capital Relations, the State and Class Struggle	79
Introduction	79
1. Fetishism, Social Forms and Derivation of the State	80
2. Logic of Abstract Domination in 'Capital'	89
3. The State Form and the Dual Nature of the Domination of Capital	94

4. Limits of Mystification of Social Relations, State Formation and Capital	102
Concluding Remark	108
Chapter 5: Toward a Critique of the Korean State	112
Introduction	112
1. The Mystification of the Korean Developmental State	113
Mystification as a theoretical project	113
Transformation of the developmental state and labour as a subcategory of the transformation	119
2. Toward the Demystification of the Developmental State	128
From analysis to a critique of the Korean state	128
The state in the development of capitalist social relations in Korea	132
Concluding Remark	138
Chapter 6: The Early Formation of the Social Relations of Capitalist Production and the State	140
Introduction	140
1. The Colonial State and the Beginning of Capitalist Development	141
Primitive accumulation and the colonial state	141
Crisis of Japanese capital accumulation and colonial capitalist development	146
The brutality of colonial development and the development of class struggle	151
The Japanese colonisation and its legacy in the further development of social relations in Korea	157
2. The Early Form of the Korean Capitalist State	162
Liberation and the crisis of reproduction of capitalist social relations	162
The U.S. occupation and the defeat of the workers' movement	163
The Korean War, reconstruction of capitalist social relations and the state	167
The development of class struggle	172
The early politicised formation of capitalist social relations and its limits	174
Concluding Remark	177
Chapter 7: The Development and Crisis of Capital Relations and the Korean State	180
Introduction	180
1. The Form of the State in the Politicised Formation of Capital Relations in Korea	182
Politicised formation of capital relations and the paradox of the 'autonomous' state	182
The conditions and results of the early configuration of capital relations	185
Class struggles and the limits of the politicised formation of capital relations	190
2. The Politicised Reproduction of Capital Relations and the Crisis of the State	194
Politicised reproduction of capital relations and heavy industrialisation	194

Capital accumulation and domestic class struggle	201
The crisis of the politicised reproduction of capital relations and the crisis of the state	204
3. The Growing Instability of the Politicised Reproduction of Capital Relations	207
Stabilisation policies and resumed accumulation	207
Further development of the working class movement	209
Liberalisation and the development of individual capitals	212
Concluding Remark	215
Chapter 8: The Development of the Crisis of the Politicised Reproduction of Capital Relations	218
Introduction	218
1. The Development of General Crisis and the Social Form of Capitalist Production	220
The miracle brought into question	220
The social form of capitalist production and the crisis of capitalist accumulation	223
The general tendency and its realisation in a reproduction crisis	226
2. The Deconstruction of the Politicised Reproduction of Capital Relations	230
Democratisation and the second crisis of the state	230
The Great Workers' Struggle and emerging crisis	234
The State, capital and labour: toward new forms of labour control	240
3. Deepening of the Deconstruction and the Emergence of the General Crisis	247
Growing competitive pressure, liberalisation and credit expansion	247
Class struggle in the deepening crisis	250
Restructuring capital relations, the general strike and the crisis of reproduction	255
Concluding Remark	258
Chapter 9: The State, Capital and Labour in Transition	261
Introduction	261
1. The Response to the Crisis and Initiation of the Restructuring of Capital Relations	264
IMF, the stabilisation policies and the further development of crisis	264
Structural adjustment toward the restructuring of capital relations	268
Labour movement and class struggle in the crisis	271
2. Labour Movement in a Dilemma: The Case of Hyundai Motors Workers Union	275
The strike against restructuring	275
The transformation of workplace labour relations after the strike	281
3. The Nature of the Transition: Marketisation of the Reproduction of Capital Relations in Korea	287
Growing marketisation of labour control	287

Growing marketisation of the regulation of individual capitals	294
4. Newly Emerging Forms of Class Struggle and the Incomplete Transition	296
Two-fold nature of the restructuring and limited transformation	296
New forms and subjectivity of struggle – 1) public sector	301
New forms and subjectivity of struggle – 2) Irregular Workers	307
Concluding Remark	314
Chapter 10: Conclusion	316
The Mystified Image of a Capitalist State	316
Marx's Critique of Capitalist Social Relations and the State	320
Mystification of the Korean State and Critical Perspective	324
Early Development of Capital Relations and the State in Korea	326
The Politicised Formation and Reproduction of Capital Relations and the State	329
The Crisis of the Politicised Reproduction of Capital Relations	332
Class Struggle, Capital Relations and the Form of the State in Transition	334
Bibliography	340
Unpublished Documents	340
Interviews	345
Newspapers and Magazines	345
Working Papers and Reports in English	346
Working Papers and Reports in Korean	349
Books and Journals in English	351
Books and Journals in Korean	368

List of Tables

Table (1) Imprisoned Trade Unionists Under the Past and Present Governments	300
Table (2) Reduction of the Number of Public Sector Employee: 1998~2000	302

List of Text Boxes

Text box (1) – The state’s labour control under the emergency decrees	200
Text box (2) - Hyundai Motors Workers Union – a short history	277
Text Box (3) – Career In-Company-Subcontract Workers Union (CICSU)	308
Text Box (4) - Seoul Women’s Trade Union and women irregular workers	311

Acknowledgements

As all academic works should be, this thesis is a product not only of my own intellectual thinking but also of collective efforts made particularly by those who have dedicated themselves to developing a critical understanding of capitalist social relations. Amongst many, I must give special thanks to Simon Clarke for his critical mind that inspired me, for his academic ingenuity that helped me redefine my approach and, most of all, for comradeship that he generously gave to me. I also benefited greatly from the Centre for Comparative Labour Studies at Warwick. I owe special thanks to Michael Neary for the discussions we had together and such an imaginative thinking he kindly shared with me. I would also like to thank Tony Elger for the conversations I had in his excellent class. I also owe a great deal to my friends for their intellectual support and friendship. Patrick Von Brandt, Chae Jun-ho, Ana Dinerstein, Lee Joo-ha, Gregory Schwartz, Shin Ji-won and Guido Starosta shared their precious experiences and idea with me. A special thanks also has to be given to friends in Korea who made it possible for me to have a closer look at on-going workers struggles by arranging meetings with workers at the workplaces. Of course, completion of my study would be absolutely impossible without unconditional support from my family. There are no words to express my love and appreciation to my parents who encouraged me to continue my studies. I would like to say how much I owe to them for making me who I am. I also owe too much to Lee Yang-ji, my wife, for her great support and smile that makes me complete. Finally, I want to acknowledge that this thesis is dedicated to the workers in Korea, whose continual struggles allow me to continue to imagine the community of free individuals.

Abbreviations

ADB	Asian Development Bank
BOK	Bank of Korea
CICSU	Career In-Company-Subcontract Workers Union
CIECD	Council on International Economic Cooperation and Development in Taiwan
CKTU	Council of Korean Trade Unions (<i>Jeonohyeop</i>)
CLCTU	Council of Large Companies Trade Unions
EPB	Economic Planning Board in Korea
EOI	Export Oriented Industrialisation
FKI	Federation of Korean Industries
FKTU	Federation of Korean Trade Unions
FSC	Financial Supervisory Commission
FTC	Fair Trade Commission
GFHTU	General Federation of Hyundai Company Trade Unions
HPAE	High-Performing Asian Economies
HMWU	Hyundai Motors Workers Union
IBRD	International Bank for Reconstruction and Development
IMF	International Monetary Fund
ISI	Import Substitution Industrialisation
JETLU	Jeneung Education Teachers' Labour Union
KBF	Korean Businessmen Federation
KCIA	Korean Central Intelligence Agency
KCTU	Korean Confederation of Trade Unions (<i>Minjunochong</i>)
KEPCO	Korean Electric Power Corporation
KFTPSU	Korean Federation of Transportation, Public and Social Service Union
KGEU	Korean Government Employees' Union
KLFIIP	Korean Labour Federation for Independence Promotion
KLMAA	Korean Labourers' Mutual Aid Association
KLC	Korean Locomotive Workers Council
KNCTU	Korean National Council of Trade Unions (<i>Jeonpyeong</i>)
KPIU	Korea Power Plant Industry Union

MITI	Ministry of International Trade and Industry in Japan
MOF	Ministry of Finance
MOFE	Ministry of Finance and Economy
NBFI	Non-Bank Financial Institution
NCTF	National Conference of Occupational Trade Unions
NCTU	National Council of Trade Unions (<i>Jeonguknohyeop</i>)
OFDI	Overseas Foreign Direct Investment
SWTU	Seoul Women's Trade Union

Abstract

My thesis aims to demystify the form of the Korean state by unveiling the theoretical shortcomings of developmental state theories and re-examining the historical development of the Korean state in the context of the formation and reproduction of capital relations in Korea. The first part develops a Marxist critique of theories of the developmental state. Through a close reading of Marxist theories of the state and Marx's own theory of value and commodity fetishism, I derive an understanding of the state as a differentiated moment of the reproduction of capital relations. Accordingly, I define the most serious theoretical shortcoming of the statist approach as its understanding of the state as a set of institutions and of capital as a set of businessmen. This approach enabled statist to define the state in East Asia as a state 'autonomous' from capital by deriving the form of the state from the nature of the seriously narrowed-down state-society relations as relations between state officials and a group of businessmen. On the basis of an understanding of capital as a social relation through which social labour is organised toward commodity production to make profits, and of the state as a social form through which unequal class relations are inverted into class-neutral relations between citizens, I argue that the developmental autonomy of the state, which underlies developmental state theory, results from a mystified form of the capitalist state and contributes to mystifying the state further.

In the second half of this thesis, I present the Asian 'developmental state' as resulting from a particular mystification of the state in the historical development of the highly politicised formation and reproduction of capitalist social relations, in which the state's complementary role to capitalist development was maximised in suppressing labour, on the one hand, but also at the same time its differentiation from individual capitals in strictly regulating financial flows and selectively promoting industries developed to a great extent, on the other. An extensive investigation into the state's involvement in forming and reproducing capital relations in the 1960s and 1970s shows the real process of building-up the mystified state. Furthermore, I will show the demise of this mystified state through analysing crises of the politicised reproduction of capital relations, by a massive politicisation of domestic class conflicts, on the one hand, and the weakening of state control over individual capitals, particularly over the *chaebol* (Korean conglomerates) as capitalist development deepened in a growing involvement in the global economy from the 1980s, on the other. On the basis of this historical exposition, I also attempt to grasp the nature of the restructuring of capital relations in Korea in the aftermath of the Asian crisis in 1997, which is understood as an ultimate expression of the amalgamation of the crisis of the early configuration of capitalist social relations with the growing involvement of Korean capitals into the crisis-ridden development of global capitalism. Looking closely at the development of the increasing marketisation of the reproduction of capital relations, I argue that, although the form of the state has undergone a significant transition, it is still subjected to the further development of new forms and subjectivity of class struggle, through which the unresolved contradiction of the newly created basis of capital accumulation manifested itself by putting the market-based reformulation of capital relations into an increasingly difficult condition.

Chapter 1: Introduction

New reformism and the late blooming of statism in Korea

About a decade ago, it was very common to see the state described as a public enemy in Korea. Under the influence of the theories of 'state monopoly capitalism' and Leninism with a strong Stalinist twist, revolutionary sectors and groups in universities and workplaces concentrated on developing the best possible strategy to break down the state apparatus that exercised its force against the struggle of the working class in order to sustain 'monopoly capitalism'. At that time, the state was regarded as an enemy not only by this hard-line Marxist-Leninist movement, but also by the democratic movement in general, which saw the state as a big bureaucratic body that overshadowed civil society by exercising its overwhelming force against democracy and civil liberties. In this sense, all reformist political movements shared a common idea about the state: 'a public enemy'. From the other side, the state was also often described as 'evil', not because of its strong anti-labour policies, but because of its heavy-handed interventionist policies in private businesses. Capitalists often argued that the state hindered more effective economic development by controlling the financial markets and, therefore, undermining the rule of the market that would bring national prosperity.

As time goes on, there seems to have been a significant change in the reception of the state by the dissident movement and more generally by people in Korea, while capitalist views on the state still keep repeating the free-market and anti-state rhetoric. Now in

2003, after the presidential election in December 2002, the result of which turned out to be a victory for the nationalistic reformist candidate Roh Moo-hyun over the hard-line conservative candidate, many Koreans do not hesitate to express an expectation greater than ever before, an expectation that the state will bring greater democracy and fairer economic development, in which fast economic growth goes along with better distribution. For many political dissidents, even some Marxist academics, Roh's victory is conceived as a 'social democratic', if not revolutionary, development in which people, having suffered from suppression by the brutal state and, however, having managed to fight back, finally won the state apparatus which, as it had been a tool of the military and capitalists, would become a vehicle to deliver democracy and economic justice. Certainly, by comparison with the previous military governments or even with the so-called people's government of a Nobel Peace Prize winner, Kim Dae-jung, Roh's government, which, not to mention the president-elect himself who has been actively engaged with the humanitarian movement as a political reformer, consists of many former political dissidents, looks good enough to satisfy people who remember the dark days under the military regimes or the unfair treatment of Kim's government toward the working class in overcoming the economic crisis in 1997. In this sense, it is no surprise that president-elect Roh, even before officially coming into office, faces criticism of capitalists, noticeably the KBF (Korean Businessmen Federation), who express their fear about Roh's government by describing Roh as a 'socialist' (New York Times, 10th February 2003), in spite of his repeated confirmation that his government will not harm free-market based development.

Having seen this, one would say that the 'state' is ever more becoming a centre of the discourse of the reforms of Korean society as a vehicle to realise the aspiration for reforms of Korean society. However, to be fair, Roh's government can hardly be called in principle socialist or even social democratic, in the sense that it does not pursue, in any fundamental way, fundamental reform that might possibly undermine the principle of capitalist development based on the rule of the market. To be more correct, this widespread reformism and political aspiration in Korea in 2003 resembled a statist belief that the state could be a vehicle to resolve to a large extent the social problems caused by economic inequality without, however, undermining the operation of the capitalist economy. It also resembles the statist idea in the sense that it understands the nature of the state as determined by those who occupy the state apparatus. Certainly, there is nothing new about the idea that the interventionist state could bring healthy economic development through enhancing better distribution, a social safety-net and even worker-friendly working conditions. Nonetheless, this resurrection of the rather out-dated statist belief in Korea, having seen all the market-based reforms after the demise of the Keynesian interventionist state all over the world, appears to be strong enough to attract particular attention.

This resurrection of statist reformism in Korea reflects the fact that there has been growing discontent with market-based reforms pushed forward during the last four years after the economic crisis and subsequent IMF's bail-out, during which unemployment and polarisation of the quality of living between the social classes massively increased. It also shows that statist arguments about the so-called 'developmental state', adopted by former political dissidents and reformists, have

developed as a strong alternative to market-based reforms. Outside Korea, this statist argument about the state in Asian NICs, including Korea, enjoyed its heyday long before it became an alternative theory offering a strategy for a more balanced economic development in Korea. From the 1980s, when the state was still regarded as the public enemy in Korea, the theories of the developmental state began to dominate both the explanation of the particular form of the state in Asia and an alternative economic development strategy in late-developing countries, providing detailed analyses of the extraordinary performance of the state, particularly with respect to its role as an economic promoter. Largely due to the massive capitalist development in the region and subsequent improvement of the living condition of the mass of the population, the statist exposition of the role and nature of the state in Asian NICs attracted many scholars in the West and became a more relevant explanation than the liberal argument that largely ignored the role of the state in Asian economic development.

It was after the emergence of the Asian crisis that neo-liberal advocates seemed to have a great opportunity to blame the 'developmental state' for causing so-called transparency problems. Given the undermining of the real practices of the developmental state in the aftermath of the crisis, it seemed unnecessary to refer to the neo-classical argument in order to confirm the demise of the developmental state as well as that of the theories of the developmental state. However, contrary to the poor performance of the 'developmental' states, the 'developmental state theories' could now enjoy another popular reception, this time not in the West but in the East, by arguing that the developmental state 'was' a relevant strategy of the Asian miracle, but it is now by and large declining due to the deregulation of the market caused by the reforms

pursued by neo-liberal agencies, particularly the *imperialist* financial capital from the U.S. and elsewhere in the West. Those statist counter-arguments are based on the idea that the growing globalisation process did not allow the national economy, which relied on state regulation of the market to sustain the Asian model of economic development any longer (Wade 1998, 2000; Wade and Veneroso 1998a, 1998b; Jayasuriya 2000, 2001). In doing so, the theory of the developmental state successfully came back to mainstream political and economic discourse, if not in the West, certainly in Korea. Indeed, it was these statist arguments that have been welcomed and swiftly introduced in Korea by social democrats and radical academics as an alternative, in an urgent need to form a political alliance against market-based reforms under the Kim Dae-jung government. Once the statist agenda was recognised as an alternative to reforms based on neo-liberalism, the early literature by the statist began to be read widely but in a very specific way. For those who remembered the suffering from the military regimes that had ruled Korea for more than thirty years, statist admiration toward the developmental regimes that pursued a development-first human rights-later approach could not be easily accepted. However, instead of recognising the political nature of the statist argument, which was inherently anti-labour as we will see in the following chapters, the statist admiration for the bureaucratic body of the state was read as suggesting an ideal form of government that could lead to an alternative development. So the immediate task is to organise the ideal government. It is in this process that the state, which was described as '*the*' public enemy, became all of sudden a vehicle to deliver reforms.

Demystifying the practice and theories of the developmental state theories

This thesis began to be written at the beginning of the process in which developmental state theory was becoming an alternative understanding as well as a model of the development of Korean society. Having experienced the extreme anti-labour policies in the period of the so-called state-led capitalist development, the statist argument, which dominated the field of Asian studies and exposition of Korean economic development, appeared to me to be an absurdity. Therefore, this thesis began firstly as an empirical critique of a serious misreading of history, from which all the facts about labour and a hundred years of the struggle of the working class were removed. As time went on, however, it became clear that the problem of the statist argument lay deeper in the theoretical framework of the statist argument, the result of which created the absurd theory of the developmental autonomy of the state, in which the state appears to be detached from other societal forces, although it serves capital accumulation by exercising its force directly against the working class. By this time, the statist approach was becoming more and more influential not only as an understanding of the form of the Korean state but also as an alternative theory that would offer a theoretical basis for a political alliance among the civil and political movements against market-based reforms in Korea. Indeed, a proper theoretical critique of the statist theory seemed to be an urgent task for critical academics in Korea. However, rather than developing a critical understanding of the statist theory, radical academics in Korea began to rely more and more on possibility of state-led reforms. This led me to engage not only with the historical misreading by the statist theories but also with its theoretical

problems that produce a serious mystification in understanding of the real nature of the capitalist state. Once I began to develop a theoretical critique of the developmental state theories, it also became clear that the statist theory was not only a product of mystified history but also a political project that contributed to mystifying the nature of capitalist social relations and the form of the capitalist state. Indeed, having seen the growing political aspiration on the basis of a great expectation toward the state-led reforms in Korea, it seems that the statist mystification of the form of the capitalist state is finally being realised in a concrete form as a political project in Korea.

My thesis is aimed exactly at challenging the political project of the statist theorisation of the state and capitalist development by demystifying the practice and theories of the so-called developmental state. I will do so by offering a two-fold critique of the developmental state 1) a critique of ‘developmental autonomy’ as a pillar of developmental state theories and 2) I will provide an alternative reading of the history of the formation of the Korean state. The first part, from chapters two to five, will be devoted to developing a Marxist critique of theories of the developmental state. In doing so, I will define the most serious theoretical shortcomings of the statist approach as its understanding of the state as a set of institutions and of capital as a set of businessmen. It will be argued that it is on the basis of this benign understanding of the relations between the state and capital that the statist finally conceptualised the state in East Asia as a state ‘autonomous’ from capital by deriving the form of the state from the nature of the seriously narrowed-down state-society relations, as relations between state officials and a group of businessmen. Understanding capital not as a set of businessmen but as a social relation through which social labour is organised toward the production of

commodities to sell to make profits, and the state not as a set of state officials but as a social form through which unequal class relations are inverted into class-neutral relations between citizens, I will refute the argument that state leadership against individual capitals in Korean capitalist economic development can be translated into the existence of the autonomous state. Accordingly, I will argue that the developmental autonomy of the state should be an object of critique, rather than a yardstick of state analysis. However, this does not mean that my thesis will be devoted simply to proving the class characteristics of the Korean state. Rather, the historical exposition that will follow the theoretical critique will be focused on tracing the mystification process through which the state appeared in reality as detached from the interests of capital, i.e., the material basis of the mystification.

Chapter two will attempt to grasp the core argument veiled behind the empirical analyses of the developmental state. By examining the development of statist theories, from case studies of the states in Asian NICs to the more serious statist attempt to 'bring the state back in', I will define the most important theoretical basis of developmental state theories as the developmental autonomy of the state. At the same time, I will show that developmental state theories are full of descriptions of what the state looks like from the outside, rather than offering an appropriate explanation of how and why the Korean state appeared in the particular form of the developmental state. Developing a critical inquiry about state autonomy, chapter three will explore firstly traditional Marxist debates about the capitalist state by looking both at the essentialist argument and the autonomy-centred approach, which will be presented as failing to offer a basis of a critique of the form of the capitalist state. It will be argued that in both theories

political domination appears separated from economic domination, because the essentialist approach ignores the question of separation itself and the autonomy-centred approach does not criticise but only describes the way in which the separation emerged. To answer the question about the contradictory form of the capitalist state, I will move on to Marx's critique of the general reproduction of capitalist social relations, by looking at Marx's critique of the theory of value and commodity fetishism, in which he explains the particular way in which capitalist social relations are reproduced into technical relations through mystified social forms. In chapter four, I will develop an explanation of the form of the capitalist state as a differentiated moment of the reproduction of capital relations by developing further the form-analysis once pioneered by the German derivation debate. Finally, defining the state and capital as differentiated-but-complementary forms through which capital relations are mystified into technical relations, I will refute state autonomy as a relevant basis of the analysis of the state. On this basis, chapter five will show, step by step, how the statist approaches fall back into the mystification of the state that the particular form of the reproduction of capitalist social relations produced, on the one hand, and how the statist expositions of the state justify this theoretical shortcoming in making itself into a political project on the basis of an unrealised aspiration to the ideal state, on the other.

This theoretical chapter will also be a process of building up a critical method that will be applied to understanding the development of the form of the Korean state. Throughout the theoretical critique of the developmental state, the uncritical nature of the theories will be defined as being based on a method that Marx called formal abstraction. With the method of formal abstraction, the nature of the conceptualised

social categories is derived from the natural form itself and thereby the categories are presented and treated as naturally given entities. The totality of social relations in this case appears to be a mere 'sum' of independent entities, rather than a 'whole', and the relations between those entities are external. In turn, the parts of the totality are explained as independent entities that form in turn a totality by aggregating together through interacting each other. By contrast, as we will see in more detail, rather than beginning with recognising social categories as naturally given entities, Marx's critique of history on the basis of his critical method demonstrates social institutions and categories as particular 'social forms', in which the movement of the totality of social relations appear and exists. Contrary to the 'sociological theory' of social institutions (including the state), therefore, a critique of social institutions is to show how the institutions are formed (even though they may appear to be autonomous from capital) in the movement of the totality of social relations and how the institution acts and takes part again in the formation of a totality, rather than trying to define the state as an autonomous 'naturally occurring' institution.

This understanding of Marx's critique of social forms and of the naturalistic conceptualisation of the social categories in capitalist society has been developed through the studies of Marx's labour theory of value by several writers. Rubin, in his extensive reading of Marx's theory of value, integrated Marx's theory of fetishism into Marx's critique of the value-form and thereby attempted to understand Marx's critique and analysis of the value-form as a critique of the social mechanism in which social realities are organised through fetishised social forms (Rubin 1978, 1990). The state derivation debate also followed Rubin's understanding, in that they understood state

formation as a fetishised moment of the development of social reality based on the fetishism of money and the commodity (Holloway and Picciotto (eds.) 1978; also Müller and Neusüss 1975). The argument was further developed in debates by a group of Marxists belonging to the Conference of Socialist Economists and also discussion under the name of *Open Marxism*. The understanding of Marx's critique of value as offering a critical method to understand capitalist social relations and the state from now on will rely largely on my critical reading of those particular understandings of Marx's theory of value developed in the CSE debates and *Open Marxism* (Bonefeld 1992; Clarke 1977, 1978, 1988, 1991a, 1991 b, 1991c; Elson 1979; Holloway 1991, 1992, 1995; Holloway and Picciotto 1978). In fact, the attempt to develop this methodology further is to go back to Marx's principle for the investigation of the development of society.

This conception of history thus relies on expounding the real process of production - starting from the material production of life itself - and comprehending the forms of intercourse connected with and created by this mode of production, i.e., civil society in its various stages, as the basis of all history; describing it in its action as the state, and also explaining how all the different theoretical products and forms of consciousness, religion, philosophy, morality, etc., etc., arise from it, and tracing the process of their formation from that basis; thus the whole thing can, of course, *be depicted in its totality* (and therefore, too, the reciprocal action of these various sides on one another) (Marx, *The German Ideology*, 1976a, p. 53, my emphasis)

On the basis of this method of critique, the state will be analysed in terms of particular form-formation in the movement of the totality of capital relations through class struggle in my empirical critique of the Korean state. To do so, a wide range of literatures on the history of the formation of the Korean state, labour and capital, including those written in the statist tradition, will be brought into discussion. However, the historical ‘factors’ presented in those literatures will not be understood as they are but decomposed in an attempt to recognise the relations between capital, labour and the state that articulate capital relations in a specific way. Furthermore, these forms of articulation of capital relations will not be presented as they are but will be recontextualised in a way in which they show the development of the state in the movement of the totality of capital relations.

The second part of this thesis will be devoted to an empirical critique of the particular mystification of the Korean state, which appears as a developmental state. Tracing the formation of the Korean state in the context of the development of capital relations in Korea from the colonial period to the 1970s, chapters six and seven will present the Korean developmental state as a mystified form taken by the highly politicised formation and reproduction of capitalist social relations, in which the state’s complementary role to capitalist development was maximised in suppressing labour, but also at the same time its differentiation from individual capitals in strictly regulating financial flows and selectively promoting industries developed to a great extent. Furthermore, I will present the development of the crisis of the early settlement of capital relations and the form of the state also as a consequence of the early development trajectory based on the mystified state, which inevitably accompanied the

massive politicisation of domestic class struggle. Chapters eight and nine will deal with the most recent transformation of the form of the state. Firstly, chapter eight will discuss the ten-year period of contested transformation of capital relations, during which the deconstruction of the early settlement of capital relations accelerated, by the upsurge of the working class challenge to the state's control over labour as well as managerial authority of individual capitals, on the one hand, and increasing liberalisation of financial and commodity markets and weakening of the state's control over individual capitals, on the other. In this context, the general crisis of 1997 in Korea will be explained as an ultimate expression of the amalgamation of the crisis of the early configuration of capitalist social relations with the growing involvement of Korean capitals into the crisis-ridden development of global capitalism. The final chapter will be devoted to understand the further development of the form of the Korean state as a moment of the newly emerging social basis of capital accumulation in the aftermath of the crisis. Looking closely at the development of a more marketised labour control as well as the accelerated marketisation of the regulation of individual capitals, I will argue that the form of the state has undergone a significant transition in accordance with the marketised reproduction of capital relations. However, it will also be suggested that the transition of the reproduction of capital relations as well as the form of the state is not over at all, but is inevitably subjected to the further development of the new forms and subjectivity of class struggle, through which the unresolved contradiction of the newly created basis of capital accumulation manifested itself by putting the market-based reformulation of capital relations into increasingly difficult condition.

Chapter 2: The Mystified State: Explaining the State in the Economic Miracle

Introduction

Although the state has played a major role in the economic development of the Asian NICs since the 1950s, it was not until the mid-1980s that the state has been focused on as such. It is no wonder, because the studies of the state in Asian NICs, if any, had largely been dominated by the neo-classical minimalist view of the state, in which the role of the state is reduced to its negative role of not harming the movement of market rationality and cultivating the conditions in which the market can operate properly without external problems. Since the mid-1980s, however, this neo-classical exposition of the East Asian state has been seriously challenged by the theories of the developmental state. Deriving the development of the state from its significant role in capital accumulation, these theories emerged from the empirical analysis of state interventions in the process of economic development. It is true that, at least before the advent of the Asian economic crisis in 1998, these studies seemed to offer a more relevant analysis of the state in this region than the neo-classical expositions did. In analysing the policies and organisation which made the interventions successful, the fundamental assumption of the developmental state theories, in contrast to the neo-classical assumption about market perfection, is the autonomy of the state. State autonomy is believed to be the presupposition of successful state intervention. In other

words, according to the developmental state theories, state interventions are effective because there is a certain degree and kind of state autonomy which cannot be found in other regions, such as Latin America and India. In this chapter, I will take into consideration the debates on the developmental state, attempting to trace the core argument and presupposition of the theories of the autonomous state.

1. The Neo-classical Ideal State and the Economic Miracle

The argument about the existence of a specific form of the state in Korea emerged from the critiques of the neo-classical account of Korean economic development after the Korean War, which explains Korea's miraculous capital accumulation in terms of the liberalisation of the market developed in Korea, i.e., *the process of subordinating all other socio-economic factors to the market*. In explaining economic development, neo-classical economists rely on 'factors to make the link between free markets and higher growth' (Wade 1990, p14), contrasting the outward-economies and inward-economies in order to prove the link between a free market and high growth (Balassa 1980, 1982; Lal, 1983; Krueger 1978, 1979, 1984, 1990, 1991, 1995; Westphal and Kim, K. S. 1982). For example, Lal argued (1983) that the inward-economies, such as India, could not achieve what outward-economies, Korea, Taiwan, etc. achieved because of state interventions which placed their economic competitiveness not in the market but in state protection for the trade regime and labour market, which precipitated serious distortions in the market.

The most serious current distortions in many developing economies are not those flowing from the inevitable imperfections of a market economy but the policy-induced, and thus far from inevitable, distortions created by irrational dirigisme (Lal 1983, p. 103).

For neo-classical advocates, the initial point of Korean economic development was the liberalisation of imports from 1961 to 1963, which is interpreted as a successful example of the state's role in removing the hindrances to the free market condition, which is, for neo-classical theories, the real basis of the following export-oriented industrial development under Park's regime. There is a significant difference between the era of ISI (Import Substitution Industrialisation) which covered mainly the 1950s and early 1960s, and that of EOI (Export Oriented Industrialisation) in terms of the degree of liberalisation of the market. During the 1950s, economic development was suppressed because of 'distortions' such as a high fixed nominal exchange rate for anti-inflationary policy, quantitative control over imports and highly repressed financial markets. According to their arguments, these distortions caused the low growth of the 1950s and undermined the positive factors, which can be represented by the unregulated labour market which could supply an unlimited amount of cheap labour power to industry. Seeking the rationality that could explain the take-off of the Korean economy, these market advocates focused on the significant changes which had occurred from the late 1950s to the 1960s. With the emergence of Park's regime by a military coup in 1961 after a student revolution in 1960, there were several reforms signalling that the Korean economy was going for the process of liberalisation, which provides apparent

evidence of liberalisation as the engine of late industrialisation from the perspective of neo-classical theories. Firstly, there was a dramatic reform of the exchange rate, which had almost been fixed at an exaggerated level to attract more aid from the U.S. during the post-war period. Secondly, the quantitative regulation of imports was drastically abandoned. Furthermore, Park's regime continuously sought tariff reduction during the 1960s and finally, the labour market remained the most unregulated in the world economy, in spite of the political conflicts. Consequently, for market advocates, the Korean economy, as an almost classical example, seems to have jumped into the right track which can establish industrial development oriented to export, by acquiring a liberal trade and payment regime (Westphal 1978). Krueger, explaining the Korean Miracle in terms of the continuing maintenance of a realistic exchange rate, which is believed to support liberalisation of the trade and payment regimes and, in addition, an unregulated labour market, concludes that the conditions of the economic miracle are marked by the successful and continuous liberalisation which could have *minimised the expected state failure* which could have caused 'more enormous damage than market defects' (Krueger 1991; also Lal 1983). In this neo-classical account of Korean economic development, there is no specific explanation of the state form and role in development. It is not because, according to the statist counter-argument, there is no state intervention but because from the neo-classical perspective, the state's role in economic development is inherently negative and the state's role is something which must be subordinated to the market.

In neo-classical accounts of society, the state is explained not as it is in reality but as it must be in ideal form. It is the counterpart of the understanding of the market in these accounts because the market is understood, for neo-classical advocates, in the way it must be, in abstraction from society. This means that the state has an inherent defect, in spite of its necessary role, which can always threaten the market mechanism with its over-intervention. In this sense, neo-classical accounts of the state seem to be confined strictly within the presuppositions of classical political economy, in which the market is given the status of the culmination of human economic rationality and therefore culmination of the development of human society, providing a naturalistic and rationalist justification for market-based capitalist social relations (Clarke 1991a, pp. 185-94). Neo-classical arguments share the presupposition of the economic rationality of individuals, which can be fully realised only in the market, which must entail as its primacy free competition among producers and the factors of production. The market rationality appears to be an embodiment of individual economic rationality. Again, the neo-classical point of view is based on the strong belief that money, as a purely economic method, is the supreme regulator which can control the capitalist economy and promote economic development fully in a free market. In this sense, money is understood as a rational and neutral instrument for the realisation of individual economic rationality. Therefore, to promote free market conditions means securing money's power or allowing money to regulate the market with its own power, without external intervention. Assuming the economic rationality of the individual, the rationality of the market as the natural basis of the accounts of society and money as the

intrinsically rational regulator of society, neo-classical accounts consequently abstract the social forms of capitalist social relations from capitalism itself, as Clarke shows:

The theory also purports to explain the rationality of the fundamental social relationships of capitalist society, by deriving those institutions from the rationality of the individual: property, exchange, money, the division of labour and the separation of the labourer from the means of production are all explained not as forms of historically specific social relation but as technical instruments that facilitate the most perfect realisation of individual rationality. It is only on this basis that marginalist economics abstracts the economic institutions of capitalist society from their social and historical context, reducing them to the rationally developed instruments appropriate to the optimal allocation of scarce resources. It can only make economics a 'natural science' because it 'naturalises' the fundamental economic relationships of capitalist society (Clarke 1991a, pp. 194-5).

According to neo-classical understanding, contrary to the inherent rationality of the market, which relies on the power of regulation of money and individual rationality, the state is inherently, transcendently and potentially irrational and, therefore, it 'cannot copy the individuals' variety and diversity' because it must reflect *some particular interest*, in the era of classical political economy as well as in contemporary capitalist development (Friedman 1962, p. 17). In other words, neo-classical theorists tend to assume the possibility of the perfect market positively, on the one hand, and deny the

possibility of the state as the embodiment of economic rationality, on the other. Therefore, the state's proper function is a negative function, which basically ensures the security of property and the freedom and enforceability of contracts, i.e. the presuppositions of market interactions, and protects the basis of capitalist social relations from other more irrational and external problems, rather than a positive function, which could 'promote' or maximise the efficiency of the market by itself. Hence, there is no wonder that the state's role is limited and determined by the extent that its policies cannot harm the link between the free market and higher growth, in neo-classical arguments. The successful state must attempt to remove the external effects and shocks from outside the market, such as policies for political legitimacy or the interest of particular capitalists that are not based on economic rationality. The unsuccessful economies can now be explained in terms of misguided intervention of the state, which inevitably causes serious distortions in the market mechanism, which is represented by price distortion. The supreme, in fact the only, proper role of the state is, therefore, to secure the market mechanism for getting the price right and thereby ultimately to get the fundamentals of an economy right, i.e., to provide the general conditions of successful economic development. Therefore, the neo-classical arguments about Asian NICs were focused on the state's role in letting market rationality rule economic development without being subordinated to particular interests. However, although they seem to be able to answer the question about the relations between the state and economic growth through showing the extent to which the state actually secures the rule of the market, they seem not to be able to contribute to the analysis of

actually existing states, beyond suggesting such an ideal norm and examining effects of particular state policies according to that norm, without providing an explanation of the ways in which particular state interventions and the particular form of the state in Asian NICs were formed in a real social context.

In contemporary arguments, the neo-classical approaches to the Asian economic miracle have recently begun to reconsider the role of the 'developmental state' as their accounts have been seriously challenged by the new generation of 'statists' who have attempted, since the early 1980s, to place the state in the middle of the question about the Asian economic miracle (Amsden 1989; Johnson 1982; Haggard 1990; Luedde-Neurath 1988; Wade 1990; White and Wade 1988). The state's role in the 'market friendly economy', even for neo-classical theorists, became an unavoidable reality, which had to be explained differently from the previous accounts. The World Bank's *World Development Report* in 1993 well reflected the seriousness of the statist challenge to the neo-classical market-based explanation of Asian development. In this report, market advocates came to admit the importance of state intervention in the process of late-industrialisation, yet exceptionally in the Asia Pacific region, locating themselves 'between a neo-classical and the revisionist Amsden/Wade view' (Evans, 1995, p. 40). They argued that extraordinary aspect of HPAE (High-Performing Asian Economies) growth lies in the fact that 'government interventions resulted in higher and more equal growth than otherwise would have occurred' (World Bank 1993, p. 6). In spite of their efforts to distance themselves from the neo-classical view, the fundamental ideas never changed. The main reason why the Asian economy could gain fast growth

still lies in state intervention which promoted capital expansion and, nevertheless, did not harm 'the stability of macroeconomic stability' (World Bank 1993, p. 7). Arguing the effectiveness of the mix of fundamental and government intervention, rather than other methods which have been used by HPAEs, such as repressing interest rates, directing credit and selective promoting, the report claimed that government intervention, fortunately and exceptionally could contribute to getting the fundamentals right.

Whether these interventions contributed to the rapid growth made possible by good fundamentals or detracted from it is the most difficult question we have tried to answer. It is much easier to show that the HPAEs limited the costs and duration of inappropriately chosen interventions - itself an impressive achievement - than to demonstrate conclusively that those interventions that were maintained over a long period accelerated growth...Most of the policies that the HPAEs used reflected sound economic fundamentals: they enhanced the working of markets, helped prices communicate information about relative economic costs, and fostered competitive discipline (World Bank, 1993, pp. 354-366).

In sum, the state in the Asia-Pacific Rim has played a very important role in creating a fair system of trade. This fair system allowed domestic capital to invest in export-centred industry with neutral incentives based on the market and foreign capital to feel free to invest their capital into the industries in the Asia-Pacific region. State

intervention could be a reason for economic development only as far as it never harms the logic of the market. In other words, the role of the state is still explained as something which must be subjected to the absoluteness of the market. The state can be considered only in terms of the function of the liberal form of the state that at best can remove external problems which may distort the market mechanism and, thereby, create unfavourable conditions for capital accumulation. Therefore, the role of the state, which they recommend, appears to be ultimately nothing but securing an optimal market condition, in spite of the rhetoric.

2. The Developmental State Debate

Strong disciplinary state over the private

Against the neo-classical exposition of economic development and the state's role in development, there have been challenges from state-centred accounts of economic development and the role and forms of the state in development. Deriving a theory of the state from the state interventions which are believed to have led to an economic miracle, these literatures are marked by the concept of the 'developmental state' as a specific form of the state which could plan and implement a series of successful interventions for economic development, which exists 'in time and space in East Asia' and also exist 'as an abstract generalisation about the essence of the East Asian examples' (Johnson, 1999, p. 43). Excoriating the neo-classical view that promoting the free market mechanism is the only way to catch up economic development, these statist

accounts describe the role of the state in East Asian as one compensating or even, in some occasions, substituting the market's regulation. These statist arguments seem to succeed in finding an affinity between the market and state intervention through evaluating the 'quality of state involvement in industry promotion' (Weiss and Hobson 1995, p. 138). According to them, the quality of state intervention in industry promotion in East Asia was reliable and, thereby, there is no reason to deny the fact that the market can be governed successfully through some specific method, such as incentives, guiding market institutions and selective promotion and strong financial market control.

On this basis of the empirical observation of the extraordinary performance of the East Asian states, Johnson (1982), Amsden (1989), Haggard (1990), Evans (1995) and Wade (1990) tried to show that the states could have their own roles *far beyond* a mere contribution to the market perfection, which is the role of the liberal state, even to the extent that the states distort 'the prices wrong' (Amsden 1989, p.149) in favour of national economic aims. Apparently, for statist, East Asian late-industrialising countries appear to provide an excellent epitome of the fact that the state-guided market can be a more successful way of late industrialisation because, in *certain conditions*, economic growth can rely heavily on government intervention to augment supply and demand. According to Amsden, Korean late industrialisation is the case which reveals the importance and effectiveness of state intervention, indicating the existence of a specific form of the state.

Korea, therefore, provides supporting evidence for the proposition that economic expansion depends on state intervention to create price distortions

that direct economic activity toward greater investment. State intervention is necessary even in the most plausible cases of comparative advantage, because the chief asset of backwardness - low wage - is counterbalanced by heavy liabilities. *Where Korea differs from most other late industrialising countries is in the discipline its state exercised over private firms* (Amsden 1989, p. 14, emphasis in original).

Like Amsden's argument about Korean development, Wade also offers an elaborated explanation of the role of state intervention in the developmental process of Taiwan (Wade 1990). Through a careful analysis of the state's role in Taiwan, he argues that the state in late industrialisation must not be subordinated to the market but, in fact, must govern the market, providing a detailed analysis of the Taiwanese national policies and institutions to promote export-oriented growth and, at the same time, the stability of the financial, commodity and labour markets. According to these statist empirical analyses, it seems true that the neo-classical argument about Korean economic development, and Asian NICs in general, is irrelevant. The liberal reform which was argued by the neo-classical view as the basis of Korean EOI development was not a liberal reform but a 'highly managed affair' aiming to promote exports (Weiss and Hobson 1995, p. 143). Also the liberal trade regime argued to be the pivotal origin of late development was a mere illusion, resulting from the selective abandonment of some unnecessary sectors at the expense of selective promotion or even a by-product of export-centred development based on the import of raw materials. Since, according to their argument, this shift from the ISI to EOI was based on the pursuit of developmental goals by the state, now it

becomes the state that should be at the centre of the exposition of rapid industrialisation in this region.

The developmental state is firstly a strong-disciplinary state, as widely accepted, which can discipline and guide private business and this strength of the developmental states is explained by their 'unusual degree of bureaucratic autonomy' (Önis 1991, p. 114). It is this 'political autonomy from the short-term interest of private sector' that makes it possible for the state 'to shift policy toward a more outward-looking growth strategy' (Haggard 1990, p. 40) and to 'avoid becoming the captive of its major clients' (Johnson 1985, p. 81). Here, authoritarian political rules appear to be the best way to impose a national developmental goal, thorough discipline over private business as well as labour, on the mass of population. However, the politically authoritarian regime can be a necessary condition of the 'existence of a developmental state' but not a sufficient condition. On the basis of 'an authoritarian, executive-based political structure' that can guard 'the feebleness of the legislature' (Wade 1988, p. 159), the economic decision-making bodies have also to be insulated from all political as well as economic pressure groups. This was possible through what Johnson called an 'open division of labour between reigning and ruling' (Johnson 1986, p. 560) by which the economic bureaucracy 'is given sufficient scope to take the initiative and operate effectively' (Johnson 1982, p. 315). Now what is, first of all, necessary for the success story of the developmental state is a pilot organisation, such as MITI (Ministry of International Trade and Industry in Japan), EPB (Economic Planning Board in Korea) and CIECD (Council on International Economic Cooperation and Development in Taiwan), which

plans and implements long-term economic policies, enjoying a great degree of autonomy from political pressures as well as from economic interest groups.

Co-operative autonomy and its mechanism

According to the developmental state theories, successful economic development becomes possible due to the existence of the developmental state. Thus, to find a way for successful capital accumulation is to find the way in which the state can become autonomous from social groups and classes and become an autonomous actor that is able to implement interventionist policies. In this sense, accounting for the apparent autonomy of the developmental state lies at the centre of their argument. In other words, the basis of developmental state theory is the theory of state autonomy. The theory of the autonomy of the developmental state is developed inductively, deriving a certain degree of autonomy as the common feature from the economic development of the countries which succeeded in late industrialisation. However, according to those arguments, to define the developmental state only in terms of the autonomous and coercive power of the strong-disciplinary state that allowed the effective planning and implementation of economic policy could be misleading. 'A disciplined (or developmental) state refers to one that advances capital rather than accumulating it, or at least does not allow its own enrichment to derail the development effort' (Amsden 1989, p. 148). Therefore, the real 'developmental' state can be distinguished from a mere interventionist state also in terms of restrictive and highly selective uses of its own power. Most of the statist expositions emphasise the specific form of legitimisation of the developmental state, as the basis of the restriction of the abuse of power. They argue

that the developmental state inherently cannot be abusive because the basis of the developmental state itself is largely based on the legitimacy coming neither from 'their ideological pretensions' nor from 'some formal rules whereby they gained power', but from 'the overarching social projects their societies endorsed and they carried out' and 'their results' (Johnson 1985, p. 69; 1989, p. 148; Wade 1988, p. 160).

Restricted by its own logic of legitimacy and by some external help, such as the 'hyperactive student movement', that 'mobilize popular support to keep the government honest' (Amsden 1989, p. vi), instead of exercising its power excessively, the developmental states appear to show an 'unusual degree of public-private cooperation' and therefore 'the coexistence of two conditions: the autonomous bureaucracy and co-operation between private sectors and the state' (Önis 1991, p. 114). This *coexistence* seems to be the essence of the mutual promoting relations between authoritarianism and capitalism, distinguishing the developmental state from mere 'predatory' rent-seeking states, which exercise their power excessively through the one way relations between the private sector, as provider, and the state, as beneficiary (Johnson 1986, p. 559; see also Johnson 1982, p. 309; Evans 1992, 1989). Therefore, the issue becomes not just the autonomous state but a 'specific kind' of autonomy of the state by which the state does not abuse its political power while it maximises its developmental role in the relations with private firms.

Evans, attempting to conceptualise this 'specific autonomy' of the state, emphasises the fact that greater autonomy does not always cause positive consequences for economic transformation (Evans 1989, 1992, 1995). In Africa, especially in the case of

the prototype of the Zairian state, and elsewhere, we can observe the example of stronger state autonomy becoming a hindrance to economic development. The Zairian state, according to Evans, is autonomous 'in the sense of not deriving its goal from the aggregation of social interest' but, at the same time, not autonomous in the sense of designing policies 'for sale to private elite' (Evans 1992, p. 151). Therefore, the autonomy of the Zairian state has nothing to do with 'developmental autonomy' so that, in this case, it is better, for the sake of economic development, that the state becomes a part of the economically dominant class. Otherwise, there is always the possibility that state intervention precipitates economic crisis and disaster. According to Evans, the autonomy of the developmental states is apparently distinguished from that of those predatory states 'in which the preoccupation of the political class with rent-seeking has turned society into its prey' (Evans 1992, p. 149). It is because

They extract surplus but they also provide collective goods. They foster long-term entrepreneurial perspectives among private elites by increasing incentives to engage in transformative investments and lowering the risks involved in such investments. They may not be immune to rent-seeking or to using some of the social surplus for the ends of incumbents and their friends rather than those of the citizenry as a whole. Yet, on balance, the consequences of their actions promote rather than impede economic adjustment and structural transformation (Evans 1992, p. 148).

The specific autonomy found in Asian NICs consists firstly of a meritocratic and coherent bureaucracy, members of which are tightly linked with one another through an informal network (Evans 1992, p. 153). Together with this internal coherence, one more necessary condition is the embeddedness of this autonomous bureaucracy with the market players through an 'external network connecting the state and private' (Evans 1992, p. 153). This is the specific mechanism of implementing the interventionist policies in co-operation with private sectors. The coexistence of the coherent bureaucracy through the informal network with the embeddedness of the bureaucracy into society is now explained in terms of 'the embeddedness of the state autonomy', which, he argues, characterises the autonomy of the Korean state (Evans 1995).

The autonomy of the developmental state is, however, of a completely different character from the incoherent despotism of the predatory state. It is not just 'relative autonomy' in the structural Marxist sense of being constrained by the generic requirements of capital accumulation. It is an autonomy embedded in a concrete set of social ties that bind the state to society and provide institutionalised channels for the continual negotiation and renegotiation of goals and policies. 'Embeddedness' is as important as autonomy. The embeddedness of the developmental state represents something more specific than the fact that the state grows out of its social milieu. It is also more specific than the organic interpretation of the state and society that Gramsci called hegemony. Embeddedness, as it is used here, implies a concrete set of connections that link the state intimately

and aggressively to particular social groups with whom the state shared a joint project of transformation (Evans 1995, p. 59).

3. Explaining the Specific Autonomy by Bringing the State Back in

Deriving the autonomy of the state from the organisational features of the state

In fact, as Evans noticed, the coexistence of the autonomous state with tightly networked relations between business and the bureaucracy is a ‘contradictory combination’ since it is apparently difficult to explain how the state can be autonomous from the private sectors if it is tightly engaged with them (Evans 1992, p. 154). This contradictory relation, however, seems to be explained, surprisingly simply, in terms of the relative strength of the state in the relations of co-operation. Again, in order to explain this state’s relative superiority among the competing social actors, statist arguments seem to bring in politico-economic situations from which the superiority sprang up: the Cold-War world order, which unlimitedly legitimated the government leadership and left no choice for the state but the pursuit of market-based development (Johnson 1985, p. 71; Evans 1992, p. 164); experiences under the Japanese colonisation, which inherited an interventionist tradition to the state; land reform, in which the traditional landlord class lost its competitive power against the state (Amsden 1989, p. 147; Evans 1992, p. 164) and the remarkable absence of a labour movement that could possibly have prevented state autonomy (Wade 1988, p. 159).

However, it is their *enthusiasm* about the ‘brightness of the state bureaucrats’ that reduces, implicitly if not explicitly, all other societal conditions to a mere situation, without which the developmental elite’s ‘vision could not implemented’ (Amsden 1989, p. 52). It is not difficult to recognise that the statist argument, in essence, derives the autonomy of the state from internal, organisational and even individual characteristics of the state bureaucrats.

A developmental elite creates political stability over the long term, maintains sufficient equality in distribution to prevent class or sectoral exploitation (land reform is critical), sets national goals and standards that are internationally oriented and based on non-ideological external referents, creates (or at least, recognizes) a bureaucratic elite capable of administering the system, and insulates its bureaucrats from direct political influence so that they can function technocratically. It does *not* monopolise economic management or decision making, guarantee full employment, allow ideology to confuse its thinking, permit the development of political pluralism that might challenge its goals, or waste valuable resources by suppressing non-critical sectors (it discriminates against them with disincentives and then ignores them) (Johnson 1985, p. 69).

’ The central decision-makers are the kind of people who identify with the objective of their organisations and of the state and do have some sense of

moral responsibility for achieving objectives other than the use of public power for private enrichment (Wade 1988, p. 160).

Now translating other social conditions into the *results* of activities of the state based on the insight of the elite-bureaucrats, the statist argument focuses on the basis of the inner-coherence of the state bureaucrats as well as of its leadership in its cooperation with the private sector. The developmental state organisations are seen to be autonomous most of all because the members of the organisations are usually ‘the best and the brightest’ (Evans 1995, p. 51). The ability to have a certain route to negotiate their policies with private groups through various ways, which are formal and informal, without subordination to the interest groups, appears here to be incarnated in the bright bureaucrats selected through the ‘rigorous system of recruitment’ (Weiss and Hobson 1995, p. 165). Therefore, the specific kind of autonomy of the state is explained as based on the ability of the state bureaucrats to cooperate with private business, through formal and informal networks, however, under the strict guidance of the state elite-bureaucrats who are enormously single-minded and focused on the development goals. In consequence, in spite of their complicated analysis of the extraordinary state and its relations with social groups and classes, there remains only the meritocratic national examination for the high-level state bureaucrats and the long tradition of the selection system, as the basis of the developmental state. Having seen these explanations, what is apparent is that statist arguments tend to explain the state explicitly in terms of the *organisational features of the government*, avoiding any serious attempt to put it in its social context. This is not just because they are focusing on the relations between

business and the government or primarily attempt to explain the role of the state in economic development. The reason lies deeper, originating in the theoretical basis of the statist argument.

Bringing the state back in

As we saw, the analyses of the developmental state are focused on deriving the autonomy of the state and its embeddedness from the organisational features of the state bureaucrats. The state here appears to be internally *coherent* and externally *insulated* from other social groups. While these arguments are focused exclusively on an empirical derivation, the theoretical basis of statist analyses had been presented in more rigorous theoretical studies on state autonomy developed by Skocpol, Evans and Rueshemeyer, in their monumental edition called '*Bringing the State Back in*', the task of which had been putting the state 'itself' at the centre of the analysis of the state. Skocpol attempted to distinguish her concept of state autonomy from that of neo-Marxists, especially that of Poulantzas, which prevailed in the studies on the state, particularly on the autonomy of the state. Skocpol's first remark is that state autonomy is not something which can be theorised at the level of the capitalist state in general.

Poulantzas's approach is ultimately very frustrating because he simply posits the 'relative autonomy of the capitalist state' as a necessary feature of the capitalist mode of production as such. Poulantzas insists that the state is 'relatively autonomous' regardless of varying empirical ties between state organisations and the capitalist class, and at the same time he posits that the

state must invariably function to stabilise the capitalist system as a whole (Skocpol 1985, p. 33).

According to her, state autonomy is neither a general feature of the capitalist state nor a necessary characteristic of the capitalist state, which can be supported by the fact that the state always functions as the guarantor of the interest of capital-in-general. On the contrary, the concept of state autonomy is able to be captured and explained 'only in truly historical studies that are sensitive to structural variations and conjunctural changes within given polities' because 'state autonomy is not a fixed structural feature of any governmental system' (Skocpol 1985, p. 14). Therefore, a certain degree of state autonomy, with which the state can plan a specific state intervention in society, and a state capacity, with which the state can implement the plan and pursue a social goal, can be found only when analysing specific countries empirically. Whether the state can be autonomous or not depends not on the structural features of society or mode of production but on the *organisational features* of the given state. Therefore, state autonomy is the autonomy of the state, as 'a set of organisations through which collectivities of officials may be able to formulate and implement distinctive strategies or policies' (Skocpol 1985, pp. 20-1). Her concept of autonomy is autonomy not from the particular capitalist or from capital-in-general but from other social 'groups' and 'organisations' as sets of social actors without regard to the specific form of social relations. Her concept of autonomy is quite distinguishable from Poulantzas's concept in that the autonomy cannot be limited within the function of the capitalist state in capital accumulation and in that the state is not necessarily autonomous. As a result, the

extent to which the state is able to be autonomous could be extremely expanded, depending on the organisational features of the given state, from the degree of 'committee of the bourgeoisie' to the absolutely autonomous state.

For Skocpol, the essential basis of state autonomy lies in the fact that the state in principle can be potentially autonomous from other social groups at least as much as other social groups can be from one another. The autonomy of an organisation is not inherently conditioned by the social relations within which the organisation develops but originates inherently from *the organisation itself*, particularly from the organisational coherence of the institution. Moreover, the state is a supreme organisation, for her, an organisation inherently having the possibility to be autonomous from other groups in society.

In short, state autonomy is neither a 'general' feature of the 'capitalist' state nor a structural feature of capitalist society but an organisational potentiality of the state as a set of organisations without regard to specific social relations. However, the argument that state autonomy can be theorised only at the level of individual states means here, in fact, that the possibility of the autonomy of the state is determined 'transhistorically' without regard to the social relations in and through which the state exists. Consequently, the *specificity* of state autonomy, which she initially emphasised in opposition to the neo-Marxist concept of state autonomy, eventually changed into the *universality* of the concept in essence since she abstracted the state and other social categories by abstracting the social groups as actors from specific social relations of capitalist production and, in so doing, she confirmed the externality between state and

society by abstracting the state from society. This abstraction of social institutions, especially the state, from the specific social relations marks Skocpol's conceptualisation of the autonomy of the state, which, as she intended, has been largely accepted as the starting point and presupposition of state analysis by the statist argument.

The contradictory basis of the capitalist state and unresolved question

Contrary to the 'ahistorical and organisational' conceptualisation of state autonomy given by Skocpol, Evans and Rueshemeyer initially appear to define the autonomy of the state in a way that is slightly closer to the neo-Marxist approach. For them, state autonomy is understood in principle as autonomy from the dominant class in society, therefore conceptualised in the context of class relations, rather than merely as organisational autonomy from social actors (Evans and Rueshemeyer 1985, p. 49). Recognising the *contradictory* tendency of the state to appear in reality as an instrument of domination, as a corporate unit, as an arena of social conflicts and as the guardian of the universal interest, they argue that whether state intervention can contribute to economic development depends on how these contradictory patterns are combined in and out of the state structure.

The efficacy of the state will always depend on the pattern in which these contradictory tendencies are combined, both in its internal structure and in its relation to the social structure as a whole (Evans and Rueshemeyer 1985, p. 48).

The state efficacy here appears to consist of state capacity, mostly with regard to state structure, and its autonomy from the dominant class. Therefore, it is not only the organisational features of the state but also the context of the social structure, especially with regard to the state's relations with the dominant class, that condition the successful state interventions. To enhance the efficacy of the state, two conditions are exclusively discussed. Firstly, the state's ability to support markets and capitalist accumulation needs a specific state structure represented by what Evans called 'Weberian bureaucracy', which is 'a corporately coherent entity in which individuals see furtherance of corporate goals as the best means of maximizing their individual self-interest' (Evans 1992, p. 146). The elements of Weberian bureaucracy, such as adequate bureaucratic machinery, expertise, superior knowledge and a distinctive perspective, all together make up a basis of the state structure that can guarantee more effective interventions. In addition, what appears to be more intrinsic is 'a minimum of coherence and coordination within and among different state organizations' which enables all the organizational parts of the state apparatus to be more responsive to 'internal guidance and co-ordination of state action rather than to outside interest and demands' (Evans and Rueshemeyer 1985, p. 55). If the inner-coherent bureaucratic organisations, enhancing the capacity of the state, are an internal condition of the state efficacy, the outer condition is its relative autonomy from the dominant class.

'
...the state must acquire a certain degree of 'relative autonomy' from the dominant class in order to promote economic transformation effectively.

...we take the importance of relative autonomy to be as established as the

need for a bureaucratic apparatus, arguing in particular that a certain autonomy is necessary not only to formulate collective goals but to implement them as well. Therefore, most of our discussion focuses on the social structural conditions likely to promote autonomy (Evans and Rueshemeyer 1985, p. 49)

The concept of relative autonomy, however, seems initially rather under-defined, as they recognise by saying that ‘what is meant by “relative autonomy” varies substantially depending on the theoretical context in which it is embedded’ (Evans and Rueshemeyer 1985, p. 49). In some occasions, as in the argument shown above, the autonomy of the state seems to mean autonomy from the dominant class as a whole, rather than autonomy from a particular fraction of the dominant class, indicating the possibility of the state going beyond the social dominance of the capitalist class and, therefore, to be a *class-neutral* state. On the other hand, the autonomy of the state appears to be constrained within instrumental autonomy to enable the state to ‘sacrifice the interest of certain segments of capital in the pursuit of policies that maintain the viability of the socio-economic system and preserve the general rate of return’ (Evans and Rueshemeyer 1985, p. 60). As the argument moves on, the concept of the autonomy of the state appears closer to the concept of ‘instrumental autonomy’ by which the state guarantees the long-term interest of capitalist development by exercising its power against the short-term interest of certain fractions of the capitalist class.

The state remains dependent on private capital, foreign and domestic, not only to promote accumulation but also to produce a surplus in which the state itself may share...Autonomy remains very relative; the handmaiden role remains an inescapable part of the repertoire of even the most autonomous modern state. *Within these limits*, however, a positive connection between increased autonomy and state intervention remains plausible, and the social structural conditions that might increase the likelihood of autonomy remain correspondingly worth exploring (Evans and Rueshemeyer 1985, p. 62, my emphasis).

The degree of the autonomy of the state in Evans and Rueshemeyer's argument, therefore, appear to vary significantly according to, as they argue, the contingent unfolding of social structural conditions. Whether the state can be against the dominant class as a whole or merely against a certain segment of the capitalist class cannot, for them, be a theoretical issue. Rather, it is only a matter of different degrees of autonomy, which is determined in the development of a particular state in a specific societal context. The social determination of the degree of autonomy of the state also appears very contingent, since even the most obvious social structural conditions 'favoring greater autonomy', for example, 'constellation in which the pact of domination has serious cleavages within it, in which threats from below induce the dominant classes to grant greater autonomy to the state, or in which subordinate classes acquire sufficient power to undo monolithic political control by the dominant classes' (Evans and Rueschemeyer 1985, p. 63) do not necessarily lead to a greater degree of autonomy.

Rather, the degree of the autonomy depends on 1) 'the internal relations of control and coordination within the state structure', 2) 'on the relative strength of the state apparatus and outside forces', and 3) 'on the specifically political patterns and processes mediating between the state and the interest structure of society that have not been considered here' (Evans and Rueshemeyer 1985, p. 64).

It is the East Asian developmental state from which Evans, in his further studies, finally found the ideal prototype of maximum autonomy of the state (Evans 1992, 1995). For him, the East Asian developmental state fulfils the two conditions, the inner-coherent bureaucratic machinery as well as the social context of the relative autonomy of the state, both of which seem to precondition each other. Furthermore, for Evans, even if the state autonomy is a presupposition of the efficacy of state intervention (Evans and Rueshemeyer 1985, p. 62) and the state can acquire autonomy, greater autonomy cannot always guarantee successful intervention unless it satisfies the third condition, an appropriate pattern and process mediating the state with other social forces. In other words, what is necessary to enhance the efficacy of the state is not only the autonomy of the state machinery but also the specific mechanism of the social process of implementing the interventionist policies, through which market players and bureaucrats can be networked formally and informally. It is this *coexistence* of the Weberian bureaucracy, internally coherent and externally autonomous from the dominant class, with the specific networks of the guidance of the state over the private sectors, through which relative autonomy can go beyond class relations and the interest

of the dominant class and become a basis of the pursuit of an economic transformation for the collective good.

At a glance, Evans and Rueshemeyer's understanding of the state seems much more developed than that of Skocpol, in that the state appears not to be entirely abstracted from the social context within which the state develops, in both historical and geographical terms. They rightly point out the societal condition as one of the bases of state autonomy. Furthermore, Evans attempted to theorise state-society relations in terms of 'embeddedness'. Whereas Skocpol did not explain any form of external barriers to state autonomy, they elaborate the external constraints imposed on the autonomy of the state. Therefore, while Skocpol falls back into self-contradiction by which the *specificity* of state autonomy is turned into *universality*, they seem to manage successfully to avoid the same problem by not naturalising the autonomy of the state but contextualising it in both state structure and class relations. However, their conceptualisation of the developmental state and of 'autonomy' as the basis of the state still remains problematic, leaving a fundamental question unresolved.

In a given society, the degree and nature of the autonomy varies significantly. The degree of autonomy appears in between 'instrumental autonomy', by which the state can be independent from a segment of the capitalist class as a whole, and 'structural and more apparent autonomy', by which the state can implement policies against the interest of capital 'as a whole', in accordance with the state structure, social context, and the channel through which it delivers its policies. The former is similar to the relative autonomy which is prevalent in traditional Marxist argument. It is the latter, if anything,

that distinguishes their developmental autonomy from the relative autonomy in the Marxist tradition. Particularly with regard to the state in Asian NICs, as far as Evans recognises them as the prototypes of an efficiently autonomous state in his arguments, the autonomy of the developmental state is to be considered, or at least can be considered, more than autonomy from a fraction of the capitalist class.

At this point, Evans's intrinsic idea with regard to state autonomy appears clearer. Evans explains the basis of the autonomy of the developmental state by showing the evidence of the extraordinary leadership of the state in cultivating more successful capital accumulation. If we look at the specific state-society relations which are subject to his analysis, those are in fact exclusively narrowed-down to the government-business relations rather than state-society relations (Evans 1992, 1995). In spite of this limited analytical framework, however, his concept of autonomy keeps going beyond the state's leadership against private business as well as a mere 'relative' autonomy from the dominant class, which is prevalent in the Marxist tradition. His early definition of 'relative' autonomy from the dominant class now completely disappears and more 'apparent' autonomy from 'society' seems to substitute for it. In particular, the embedded autonomy appears to imply a social mechanism through which the state acquires the channel of continual negotiation and re-negotiation with *societal forces*, which are supposed to include different social classes, and by which the state is bound to society, indicating far more than closely interwoven relations between state bureaucrats and businessmen (Evans 1995, pp. 12, 50, 59). In consequence, the state appears to be *class neutral and exist above the class relations* so long as the state has

leadership against private capitals, without regard to the relations between dominant and subordinated classes or the state and the subordinated class. In short, the leadership of the state against private businessmen appears enough to explain automatically the significant degree of *independence of the state from capital and, furthermore, from 'society'*. Not surprisingly, there is no analysis of even a single case of negotiation, let alone continual re-negotiation, between the state and labour, while he argues that embedded autonomy expresses the relations between the state and 'society'.¹

This *image of the independence of the state* resulted, therefore, from a very narrow and a-historical understanding of the relations of the state with capitalist society as the relations between different societal forces, or more exactly societal organisations as 'sets of individual-social actors', rather than from a serious attempt to understand the nature of the capitalist state in relation to particularly capitalist social relations of production. Evans's problem shows exactly the limits of the statist approach as well as its contribution to understanding the capitalist state. The apparent limits of Evans's approach lies in the fact that he is able to conceptualise the state in Asian NICs as having 'developmental autonomy' only as far as he considers the relations between the state and capital as relations between different organisations comprising different sets of people, in other words, between a set of state bureaucrats and a set of businessmen. As

¹ Partly but unconsciously, this reflects the reality of Korean society. As we will see in following chapters, there has been virtually no negotiation, as such, between the state and labour, particularly in the 60s and 70s when the developmental state is described as having been formed through 'continual negotiations with societal forces'. This absence of labour is an important element of the statist approach. We will discuss it later in Chapter 5.

far as the relations between the state and capital are understood as the relations between different organisations, an exposition of the state based on this understanding of the relations cannot help being *a-historical* without regard to the particular way in which the 'capitalist' state relates itself to capital and other societal forces. In this perspective, the mode of existence of the capitalist state, through which the state appears basically in separation from capital and society, is merely assumed because any organisation can be seen to have autonomy from other organisations as far as it is a distinctive organisation from other societal organisations. It is only within this limit that the theory of the developmental state and the concept of developmental autonomy appear to be relevant. It is clear that, if they go beyond this boundary, it becomes difficult for them to argue that the state is autonomous from capital and society, since the developmental state as an organisation which is autonomous from capital as set of businessmen results in nothing other than the more effective accumulation of capital. However, it is in this sense that, in spite of all defects and limits, their argument is provocative enough to start a more thorough theoretical investigation into the mysterious form of the capitalist state, through which political authority appears to exist above society, by showing in detail the state as it appears and is perceived. The contribution of developmental state theories to understanding the capitalist state, therefore, lies in the fact that they show the contradictory form of the capitalist state not by explaining it but by showing in detail the way in which the contradictory basis of the capitalist state manifests itself in reality and builds up its image as a political entity in separation from class relations.

Concluding Remark

As we saw above, statist arguments contributed to the analysis of the role of the state in economic development on the basis of elaborate empirical research on the relation between the government and private business. Most of all, they seem to have been extraordinarily successful in undermining the market-fetishism of the neo-classical account of economic development. They argue that their understanding of the state is distinguishable from that of the neo-classical approach, represented by the subordination of the state to the market, on the one hand, and also from traditional Marxist understanding, in which the state appears to be subordinated to capital in general, on the other. According to their argument, the Marxist tradition has ignored the question of the autonomous existence of the state by merely assuming the state is necessarily subject to the capitalist class. Alternatively, they suggest that the state can and does exist in separation from society, i.e., above class relations, without being subordinated to the interest of a particular class. However, the statist arguments do not offer a satisfactory exposition of the fundamental theoretical problems with regard to the contradictory mode of existence of the capitalist state. They could not resolve the contradiction between the fact that the state appears to exist in separation from capital and the fact that the state eventually serves capital accumulation. Rather, they ignored this question by limiting their inquiries about the nature of the relations between the state and society within the relations between different organisations of government officials and businessmen, unconsciously assuming the separation of the state from society. The developmental state in Asian NICs offered extremely favourable resources

to empirical analyses by statisticians, through showing an outstanding leadership against capital and thereby enabling them to suggest a theory of the autonomous state merely by summing up those case studies. In short, the contradiction in the mode of existence of the capitalist state that appears in separation from society, on the one hand, and in subordination to capital accumulation, on the other, remains unresolved and completely unexplained. To overcome these arguments now demands a closer look at the contradictory basis of the capitalist state. In the next chapter, we will explore Marxist debates on the mode of existence of the capitalist state, in an attempt to criticise the theories and practices of the so-called developmental state more fully.

Chapter 3: Marx's Theory of Value and the Critique of Capitalist Social Relations

Introduction

We found a problematic basis of developmental state theories in the previous chapter. Most of all, they understand the relations between the capitalist state and other societal forces, such as capital, in an a-historical way in which the state and capital appear merely as different sets of individual social actors, without regard to the nature of the capitalist state in relation to particularly capitalist social relations of production. By doing so, they were able to conceptualise the particularity of the state in Asian NICs as 'the developmental state' that appears to exist *above* society and in separation from other societal forces. However, in doing so, those expositions do not question the contradictory form of the capitalist state which appears in separation from capital, but at the same time serves capital accumulation. In this chapter, we will explore first of all Marxist accounts of the state, that have themselves been subjected to a statist critique. We will see that developmental state theories actually share many ideas with orthodox Marxist analyses of the capitalist state, whether the essentialist argument or structuralist argument which appear not to overcome the benign understanding of relations between capital and the state either. Furthermore, in an attempt to overcome the shortcoming of the theories of the state which understand relations between the political and economic as mechanical and external relations, we will explore Marx's own understanding of

capital's social domination. By reading carefully his critique of the labour theory of value, capitalist social domination will be understood as an abstract domination in that the social power of capital appears not immediately in a concrete form of domination but rather through fetishised social forms and thereby in a mysterious reality. This will lead us to grasp how the relations between the state and capital, or between the political superstructure and social relations of production, are to be distinguished from the relations between a set of bureaucrats and set of businessmen, and thereby how to develop a critique of a given capitalist state, which will be further discussed in the next chapter.

1. Unresolved Question: The Form of the Capitalist State in the Marxist Tradition

Orthodox tradition

We found a common theoretical basis of developmental state theories in the last chapter. These theories, finding the origin of successful state intervention in state autonomy, rely on the assumed separation between the state and the economy. In the traditional understanding of the state in Marxist orthodoxy, the dichotomist paradigm appeared to be rejected by their definition of the state, despite its ideological disguise, as an instrument of the ruling class.

In relation to the society as a whole, the state acts as an instrument of direction and government on behalf of the ruling class; in relation to the opponents of this class (in an exploiting society this means the majority of

the population), it acts as an instrument of suppression and coercion... no form, not even the most democratic, can change the essence of the exploiting state as an instrument for the domination of one class over others (Kuusinen 1961, pp. 193-5).

The root of this soviet-type orthodoxy of state theory can be found in Lenin's works which, relying largely on Engels's '*The Origin of the Family, Private Property and the State*', aimed primarily to criticise the argument that the reconciliation of classes can be achieved and presented in the form of the state as a public institution. For Lenin, this argument was not only theoretically and empirically nonsense but also politically poisonous since it implied that 'the liberation of the oppressed class' was possible 'without the destruction of the apparatus of state power which was created by the ruling class' (Lenin, *The State and Revolution*, 1970a, p. 294). Defining such arguments as an opportunistic 'adulteration of Marx', Lenin argued that the development of the state, despite its variety of forms and types, is 'the creation of "order", which legalises and perpetuates this oppression by moderating the conflicts between the classes', essentially expressing the 'irreconcilability of class antagonism' (Lenin 1970a, p. 294). In this sense, the more democratic political institutions in Western society are understood as the very best way of securing the domination of capital once 'capital has gained control of this very best shell' (Lenin 1970a, p. 296). This rather essentialist theory of the capitalist state, once a strong criticism of the social democratic understanding of the state in which the state was described as a vehicle to overcome (or more precisely minimise) the very contradictions of capitalist production relations through delivering a

more just distribution, reappeared as a dominant tradition of the Marxist approach to the capitalist state in 'state monopoly capitalism' throughout the 60s.² The core of this argument lies in the definition of the contemporary stage of capitalist development as state monopoly capitalism in which monopoly capitals, in order to secure their interest, directly subordinate the state apparatus to their concentrated economic, especially financial power, and thereby survive the development of the general tendency to crisis. While this theory relied on the feature of the specific stage of the development of capitalism in the postwar period and focused particularly on the state corresponding to the concentration of social power by particular monopoly capitals, the main theme of the theory of state monopoly capitalism is not distinguished from that of Lenin in that they identify the interest of capital with the interest of the state (Clarke 1991d, p. 3).

The intrinsic limit of these essentialist expositions of the state, although they at first glance appear to overcome the dichotomy between the economic and political through identifying the interest of the ruling class with that of the state, lies in the fact that they do not understand the capitalist state with respect to specifically capitalist social relations of production, dealing with the state in an a-historical manner, not explaining but ignoring the specificity of the capitalist state which really appears in the separation of the state from civil society, as a specifically capitalistic feature appears to the essentialist accounts as nothing special, but as a general feature of class-based society. For them, it is not the specific capitalist character but only the class-character in general that is to be under investigation. The capitalist state has been analysed not as a part of

² For a more rigorous exposition of the state monopoly capitalist arguments, see Jessop 1982.

the critique of specifically capitalist social relations, in which social labour is organised specifically, but as an institution of the ruling classes in an a-historical and mechanical manner.

The history of mankind knows scores and hundreds of countries that have passed or are still passing through slavery, feudalism and capitalism. In each of these countries, despite the immense historical changes that have taken place, despite all the political vicissitudes and all the revolutions due to this development of mankind, to the transition from slavery through feudalism to capitalism and to the present world-wide struggle against capitalism, you will always discern the emergence of the state. It has always been a certain apparatus which stood outside society and consisted of a group of people engaged solely, or almost solely, or mainly, in ruling... The state is a machine for maintaining the rule of one class over another (Lenin, *The State*, 1970b, p. 265).

However, for Marx, the separation of the political from the society is not a general feature of a class-based society but a striking feature of the development of capitalist social relations. It is capitalist society in which the state appears in abstraction as something really differentiated from the economy, 'alongside and outside civil society' (Marx, *The German Ideology*, 1976a, p. 90).

The *abstraction* of the state as such was not born until the modern world because the abstraction of private life was not created until modern times.

The abstraction of the political state is a modern product. In the Middle Ages there was serf, feudal property, trade guilds, scholastic corporations, etc. That is to say, in the Middle Age, property, trade, society and man *were political*; the material content of the state was defined by its form; every sphere of private activity had a political character, or *was a political sphere*, in other words *politics was characteristic of the different spheres of private life*. In the Middle Ages the political constitution was the constitution of private property, but only because the constitution of private property was political. In the Middle Ages the life of the people was identical with the life of the state (i.e., political life). Man was the real principle of the state, but man was not free. Hence there was a democracy of unfreedom, a perfected system of estrangement. The abstract reflected antithesis of this is to be found only in the modern world. The Middle Ages were an age of real dualism; *the modern world is the age of abstract dualism* (Marx, *Critique of Hegel's Doctrine of the State*, 1981, p.90, my emphasis).

Hence, to argue that the state is a mere class apparatus is to ignore the *specific mode of manifestation* of capitalist social domination. Therefore it concludes that the capitalist state is a mere apparatus of the ruling class without considering the abstract feature of the state that characterises the capitalist form of the state and is essential to understanding the specific nature of the capitalist state. Moreover, in so doing, the assumption of the distinctive *superficial* appearance of the separation between the state and the economy, although it is *essentially* false for them, is merely recognised without

questioning the specifically capitalistic way in which the essential nature of class relations comes to appear in the distinctive form of the political state. Therefore, the state is understood as something structurally or mechanically distinguished from society and exists above class relations while the essential nature of the state immediately reflects the nature of the relations of 'economic' exploitation. Hence, Lenin's state theory and subsequent essentialist arguments do not seem to provide a proper ground for overcoming predominant state theories based on the understanding of the state as it is since 'it refers generally to the need to smash the state apparatus, but provides no tools to evaluate the effectiveness and extent of state interventions in the process of capital valorisation' (Müller and Neusüss 1978, p. 34). It is very easy to understand the capitalist state as a mere ruling class apparatus, without understanding the specific way of formation and reproduction of the capitalist state, the way in which it appears as representing a fetishised social category, the political, if we read the famous paragraph from Marx's Preface to *A Contribution to the Critique of Political Economy* without placing it in the wider context of Marx's works.

The general conclusion at which I arrived and which, once reached, became the guiding principle of my studies can be summarised as follows.

In the social production of their existence, men inevitably enter into definite social relations, which are independent of their will, namely relations of production appropriate to a given stage in the development of their material forces of production. The totality of these relations of production constitutes the economic structure of society, the real foundation, on which arises a

legal and political superstructure and to which correspond definite forms of social consciousness. The mode of production of material life conditions the general process of social, political and intellectual life. It is not the consciousness of men that determines their existence, but their social existence that determines their consciousness... No social order is ever destroyed before all the productive forces for which it is sufficient have been developed, and new superior relations of production never replace older ones before the material conditions for their existence have matured within the framework of the old society (Marx 1971b, pp. 20-1).

In this notoriously contentious paragraph, which is one of the few comments exclusively on the state in Marx's works, it can be seen as if the state as a political superstructure arises mechanically from, therefore, is ultimately separated from 'the economic' relations which are also given by the development of the forces of production. Likewise, if we understand this without considering Marx's work as a whole, it can be understood as a-historical in that, no matter what step of the development of the society we are on, the structure of the society can be determined in the same manner: political superstructure above the economic relation above the forces of production. This mechanical and a-historical understanding does not offer us a starting point for a critique of the state. On the contrary, it gives us a mere superficial exposition of the state or at best a description of the class character of the state.

State autonomy vs essentialist debates

This intrinsic limit of the essentialist argument has been rigorously illuminated by a further debate between essentialist and structuralist approaches, which is represented by the debate between Miliband and Poulantzas. In the argument, Miliband tried to show that there is evidently a dominant or ruling class which owns and controls the means of production and that the dominant class has close links to those powerful institutions, such as political parties, the military, universities, the media and the other apparatuses. Therefore, the state has never been a neutral regulator among social interests. Despite the adequacy of his argument in terms of finding the class character as the essence of the capitalist state, the first problem of this approach lies in the fact that it defines the class character of the state by exposing the domination of the state 'directly' by members of the capitalist class. However, his most critical failure lies not merely in his way of relating the state and capital but more fundamentally in his understanding of the state and capital, in that he understands the state and capital merely as sets of 'functioning' individuals by equating 'capital and the state' directly merely with two different sets of individuals who belong to those social categories, state bureaucrats and capitalists. In other words, although he succeeded in showing the class character of the capitalist state, therefore revealing the empirical basis of the 'links' between the state bureaucrats and members of capitalist class, i.e., collective individual capitalists, he ultimately failed to understand the relations between capital and the state since he could not overcome the bourgeois foundation that derives the nature of social phenomena from the very surface of the social categories by seeing the state and capital merely as two sets of individuals, without criticising the specific social 'forms' through which the

social domination of capital appears in the form of the relations between different sets of individuals. Therefore, the bourgeois understanding of social arenas as differentiated from one another and inter-related merely by interactions of individuals, remains completely intact.

This dichotomy between two different arenas, i.e., the political and economic, is also the clearest defect of the structuralist analysis of the state, the other side of the debate. As a strong critique of the essentialist arguments in a very developed form, Poulantzas's analysis of the state represents a critique of the Communist orthodoxy of state monopoly capitalism, which has understood the state merely as 'simple epiphenomena reducible to the "economic" basis' (Poulantzas 1969, p. 68), and a critique of Miliband's interpersonal interpretation of the state. Initially, Poulantzas's concern was to fulfil the 'absence of a study of the state' (Poulantzas 1969, p. 68) through deriving Marx's political theory from Marx's political writings. Poulantzas, in the tradition of the structuralist understanding of Marx, especially that of Althusser, in which Marx appears variously in different forms such as the political Marx, the economic Marx and the philosophical Marx, sees that Marx's *Capital* is about economic life as a regional theory within capitalist society without explicit implication for ideological and political instances (Poulantzas 1973, pp. 12, 21; Clarke 1991d, p. 17; Jessop 1982, p. 159). In contrast to economic Marxism, the rigorous contribution to which was offered in *Capital*, the regional theory regarding the political, which has not been developed in any way which is comparable with *Capital*, needs to be developed a lot further through a

closer look into Marx's political writings.³ Moreover, to develop a proper theory of the political state is for him to overcome the prevalent economism which is the other side of the absence of political theory (Poulantzas 1969, pp. 67-8).

Accusing Miliband of analysing the state in terms of the individual human subjects who control it, rather than in relation to its structurally determined role in capitalist society, Poulantzas argues that, reinterpreting the Althusserian 'determination of the economy in the last instance', the different instances of capitalist domination are not subordinated to the economy immediately but serve the economy only in the sense that they together constitute the mode of production and, therefore, serve the reproduction of capitalist society as a whole. Those instances (political, economical and ideological) are 'united' at the level of the mode of production but they are also 'distinct' instances from each other at the level of relatively differentiated autonomous 'regions' (Poulantzas 1973, p. 16). In this sense, the state serves capital not through immediate subordination to capitals by interpersonal relations but through structural subordination to the reproduction of capitalist society as a whole. While the state is an instance of the structured society as a whole, the state for Poulantzas has a specifically important meaning since the state has a '*particular function of constituting the factors of cohesion between the levels of a social formation*' (Poulantzas 1973, p. 44, emphasis in original). According to Poulantzas, the social function of maintaining social cohesion, which is

³ In the sense that he divides Marx's critique of capitalist society into different spheres of studies, this understanding is, in fact, exactly the same as Lenin's argument that also understands *Capital* as exclusively belonging to economics (Lenin, *Three Sources and Three Component Part of Marxism*, 1970c, p. 68).

necessary for social reproduction, cannot be offered by individual capitals since the competitive relations between capitalists inherently lack the ability to derive a common interest through compromise among individual capitals. Then, he claimed that the state, structurally, should function as an organiser for the integration of the whole society for the capitalist class-in-general, which is essentially vulnerable to fragmentation and, at the same time, to the political mobilisation of the working class which threatens the hegemony of the dominant class. In order to let the different arenas of the reproduction of capitalist society, especially the state, serve the reproduction of society as a whole, it is necessary for the state to be autonomous from particular capitals. In this sense, for Poulantzas, the autonomy of the state is an important premise of the reproduction of capitalist society.

Poulantzas's argument certainly developed a more systematic theory of the capitalist state in that he recognised there are more 'systematic' relations between capital and the state other than 'personal' links between those two sets of individuals, particularly in reproducing capitalist society as a whole. However, Poulantzas's argument, in deriving the necessity of the autonomy of the state from the functional necessity of capital-in-general, appears to rely ultimately on capital's functional needs. Therefore, his argument is not free from functional economic determinism, although he emphasised the sphere of politics in reproducing the whole structure of the society and class struggle in which the forms of such political regulation are moulded. Moreover, the problem of his theory lies deeper. Here, the core problem is that he attempted to explain a general form of the capitalist state by structurally linking capital and the state without overcoming the fundamental view of social categories – capital-in-general as a mere set

of individual capitals and the state as a set of institutions which consists of state bureaucrats. That is to say, he merely replaced Miliband's inter-personal link between the state and capital with a structural link between them, without recognising the bourgeois foundation of Miliband's understanding of capital and the state, by putting those two different sets of individuals and institutions into the structurally differentiated arenas of the political and economy. Therefore, just as in Miliband's argument, the political and economy, although now not inter-personally but structurally related with each other, appear in his argument as two different arenas in which capital and the state, merely as two distinctive collective sets of 'individuals' – capitalists and state bureaucrats – perform their given functions. While 'capital' appears as a set of individual capitalists who pursue their own individual interests, in spite of the risk of undermining the reproduction of capitalist society as a whole, the 'state' appears as a set of individual bureaucrats or set of institutions which pursues a 'common' interest of collective capitals. Worse still, in theorising the political as a sphere autonomous from the economic, and therefore making the political into an entity which is independent from the economic, he in fact *strengthened* the reified image of the independent social arena, defining the autonomy of the state as its essential nature. In this sense, he could not develop his theory of the state more than affirming there are structural, rather than personal, relations between those arenas of the two sets of individuals and institutions, capital and the state. In short, he also could not develop his theory of autonomy into a critique of autonomy, merely offering complicated interactions between the political and the economic, without actually answering the question of the way in which the separation emerged.

The state as a moment of formal abstraction

In both autonomy-centred and essentialist analyses of the capitalist state, the Marxist understanding of the state, no matter whether it is the theory of relative autonomy (recognising the dichotomy as real differentiation between two different social spheres) or the mere committee of the bourgeoisie (reducing the dichotomy to a mere false differentiation between two different, but in fact inter-personally related, sets of individuals), was not able to resolve the question of dichotomy. Neither of them could overcome the dominant understanding of ‘capital’ as a mere group of capitalists or structural set of individual capitals and the state as a set of institutions subordinated to the interest of capitalists either by interpersonal relations or by structural relations. The essentialist tradition could not address the specific characteristic of the capitalist state, through ignoring it, therefore avoiding a proper theoretical analysis of the increasingly autonomous-looking state. However, this does not justify the theory of state autonomy, since merely to accept the reified image that the state is separated from economic class relations, is to give up the critique of the mode of manifestation of capitalist social relations.

These understandings of the state are firmly based on the substantial shortcoming of the prevalent understanding of society and its aspects, which was criticised by Marx himself as *formal abstraction*, through which concepts and categories of society are abstracted immediately from ‘phenomenal forms’ and the appearance of society and therefore exist in abstraction from the specific social relations that give rise to the very categories and concepts. In this abstraction, therefore, concepts and categories are regarded as naturally given entities (Marx 1968, p. 106; Marx 1993, pp. 100-8; also

Clarke 1991a, pp. 140-1). Once these categories and aspects are regarded as naturally given entities, then they are treated as if they are independent of and, therefore, separated from one another, in abstraction from social relations. Once the social aspects are regarded as naturally independent of one another, without understanding of the inner-relations between those aspects, the only way to express the mysterious and complex relations between them is to express the relations as externally mutual relations. This understanding of the state based on what it appears on the surface of society is deeply rooted in the Marxist tradition, as Wood succinctly points out:

In one form or another and in varying degrees, Marxists have generally adopted modes of analysis which, explicitly or implicitly, treat the economic 'base' and the legal, political, and ideological 'superstructure' that 'reflect' or 'correspond' to it as qualitatively different, more or less enclosed and 'regionally' separated spheres. This is most obviously true of orthodox base-superstructure theories. It is also true of their variants which speak of economic, political and ideological 'factors', 'levels' or 'instances', no matter how insistent they may be about the interaction of factors or instances, or about the remoteness of the 'last instance' in which the economic sphere finally determines the rest. If anything, these formulations merely reinforce the spatial separation of spheres (Wood 1999, p. 21).

To understand the capitalist state without being captured by this 'spatial separation of spheres' is possible through understanding the formal abstraction neither as it is nor as a mere fantasy but as a specific mode of manifestation of capitalist social relations,

through which those relations are fetishised into forms of independent entities, including the political state. Although it is true, as we saw above, that Marx does have comments on the state, which might indicate spatial separation of the state from the economic, it is not the case that Marx argued the capitalist state exists above society, separated from 'economic' relations or is determined by the 'economy'. Rather, in order to unveil his critique of the state and overcome the defects of the prevalent expositions, we will explore above all *the abstract nature* of capitalist domination on which the very state theories are based. What will be presented in the following chapter is to understand Marx's critique of capitalism as a theory of social forms. This includes an understanding of the areas and categories of social interconnection, including the state, as forms of the totality, modes of existence of the social relations of capitalist production, which are not a mere economic relation but social relations of political, economic and social struggle (Holloway 1995, pp. 164-7).

If we consider social relations as a totality and social categories as fetishised forms of the totality, Marx's exposition of the relations between the political state and economic social relations, which is regarded largely as mechanically deterministic or external, will appear in a very different light. It is possible through closely looking first at Marx's critique of the labour theory of value as the core of the critique of capitalist social relations which Marx began to investigate from his early works and finally succeeded in penetrating into in his *Capital*. Here, his critique of the labour theory of value is to be understood not merely as a critique of the shortcomings of the 'embodied' labour theory of value but as a critique of the naturalistic conceptualisation of the categories of capitalist society on which bourgeois understanding of social reality and

social reality itself are built. In order to take advantage of Marx as the theoretical source of a critique of the state, we now need to take a detour.

2. Marx's Theory of Value as a Critique of Capitalist Social Relations

Marx's critique of capitalist social relations

Marx's distinction from classical political economy as well as the Hegelian understanding of society lies in the fact that he understood the ideas, institutions and the social reality of capitalism not as a result of the natural development of human nature or an absolute idea, which is believed to impose itself on the whole history of human society, but as a temporary and socially specific reality that is formed in the development of specific social relations. In his early works, he embarked on a critique of capitalist social relations by reconsidering the concept of private property, which was taken for granted by classical political economy, and by explaining private property in terms of a specific social form of labour, alienated labour (Clarke 1991a, pp. 66-70; also Postone 1996, p. 31). For him, different forms of property stem from different social forms of labour and it is a specific form of social relations that determines the social form of labour. On the contrary, for Adam Smith, the technical division of labour was the driving force of the historical development of society and private property as the most developed form of property developed naturally as a consequence of the historical development of the technical division of labour. Therefore, Smith did not criticise private property, drawing on the assumption that private property is the natural form of property for human beings who have the 'propensity to truck, barter and exchange' in

nature. Thereby, capitalist social relations of production are naturalised by classical political economy. As a result, 'political economy operates in permanent contradiction to its basic premise, private property' (Marx, *The Holy Family*, 1975b, p. 32).⁴ On the contrary, for Marx, the different forms of the division of labour result from different social forms of labour, which are imposed on working people by particular social relations of production. Private property as the category of political economy is not permanent but is socially and temporarily formed through the development of specific social relations. Private property is one of the ideas and social categories, which are recognised in a specific way, in conformity with specific social relations, making a specific image of social reality which consists of those conceptualised and recognised categories and ideas.

The same men who establish their social relations in conformity with their material productivity, produce also principles, ideas and categories, in conformity with their social relations. Thus these ideas, these categories are as little eternal as the relations they express. They are historical and transitory products. (Marx, *The Poverty of Philosophy*, 1976b, pp. 165-6).

⁴ Therefore, when political economists recognised some superficial phenomena which expressed the underlying contradiction of capital, at best, 'Adam Smith occasionally polemicalises against the capitalist, Destutt de Tracy against the money-changers, Simone de Sismondi against the factory system, Ricardo against landed property, and nearly all modern economists against non-industrial capitalists, among whom property appears as a mere consumer' (Marx, *The Holy Family*, 1975b, p. 33). In other words, what political economy could do was, at best, to deal with the necessary products of capitalist social relations as some exceptional problems.

Through his early critique of private property, Marx shows us that the social categories are not naturally given but determined as a result of specific interconnections between people. This critique of political economy's understanding of capitalist society, based on the abstraction and the abstracted categories, now develops further in his critique of the labour theory of value, primarily that of Ricardo, which could describe the surface of the exchange relations but could not explain the specific way in which social labour is organised and exchanged and moreover the way in which the labouring individuals are organised and connected. For Marx, Ricardo's theory of value relating the individual's labour immediately, in an a-historical manner, with exchange-value, without regard to the specific social relations in which the individual's labour becomes a part of social labour in the form of exchange-value and money, was the culmination of an uncritical understanding of society by classical political economy. The absence of an understanding of the value-form as the specific way in which individual labours, as well as individuals themselves, are connected with one another specifically, i.e., the way through which labouring individuals and their labour are alienated within commodity producing society was, for Marx, the origin of the misunderstanding of the whole capitalist society.

It is one of the chief fallings of classical political economy that it has never succeeded, by means of its analysis of commodities, and in particular of their value, in discovering the form of value which in fact turns value into exchange-value. Even its best representatives, Adam Smith and Ricardo, treat the form of value as something external to the nature of the commodity

itself. The explanation for this is not simply that their attention is entirely absorbed by the analysis of the magnitude of value. It lies deeper. The value-form of the product of labour is the most abstract, but also the most universal form of the bourgeois mode of production; by that fact it stamps the bourgeois mode of production as a particular kind of social production of a historical and transitory character. If then we make the mistake of treating it as the external natural form of social production, we necessarily overlook the specificity of the value-form, and consequently of the commodity-form together with its further developments, the money-form, the capital form, etc (Marx, *Capital Vol. 1*, 1990b, p. 174).

For Marx, value is the mode of existence of labour, the human activity in capitalist social relations and, at the same time, the form in and through which the specific social relations appear and exist. Marx defines labour in general as ‘a condition of human existence which is independent of all society’ (Marx 1990b, p. 133). However, ‘what matters here is only the specific manner in which the social character of labour is established’ (Marx 1971b, p. 32). While the characteristic of human labour as concrete labour is subordinated to labour as abstract labour, the characteristic of the commodity as use-value is also subordinated to the characteristic of the commodity as value. Concrete forms of labour ‘can no longer be distinguished, but are all together reduced to the same kind of labour, human labour in abstract’ in the form of value (Marx 1990b, p. 128). Value, therefore, represents the social relations of capitalist production in which the individual labour, and therefore individuals’ social relations, are webbed with each

other. And the development of the value-form marks the development of capitalist social relations distinguished from other social systems. This understanding of value, not as a quantitative amount but as *a social organism*, already shows up in embryonic form in his early works.⁵

In the *Comments on James Mill*, Marx firstly attempts to understand the value-form of social relations, defining private property, which was presupposed as the culmination of the manifestation of human rationality by classical political economy, as a specific historical being whose ‘mode of existence is only a relation to something else’ therefore as value (Marx, *Comments on James Mill*, 1975a, p. 219). In commodity exchange, social relations between men developed in such a way that the other exists only as a means of acquiring the other’s private property ‘since men engaged in exchange do not relate to each other as men’ (Marx 1975a, p. 213). In the mutual relations of property owners, connected through commodity exchange, someone else should be meaningless unless s/he is an owner of a property and people exist not as people themselves but as property owners. Therefore, ‘the mediating process between men engaged in exchange is not a social or human process, not human relationship; it is the *abstract relationship* of private property to private property’ (Marx 1975a, pp. 212-3, my emphasis). Private property now loses its personal character and its mode of existence becomes value, which is ‘the expression of this abstract relationship’ between property owners (Marx,

⁵ It appears most apparently in *the Economic and Philosophical Manuscripts of 1844* and *The Comments on James Mill*. It developed through all his major works on the critique of political economy such as *Poverty of Philosophy*, *Wage Labour and Capital* and *A Contribution to the Critique of Political Economy*, and it was finally completed in his *Capital*.

1975a, p. 213). Again, these human relations in the value-form developed into the most sophisticated form of the relations, the money-form, since money has become the general equivalent representing the sole existence of property. In and by the money-form of relations between private properties, the private properties become abstracted from their specific personal nature and become commodities. As a result of this social process of commodity exchanges, social relations between men appear as relations between things, i.e., alienated private properties, i.e., commodities. Existing in the form of value means that labour as human activity can no longer have meaning unless it exists as social labour which is able to be expressed by socially necessary labour time through commodity exchanges.

Although in his early works, the specific social form of labour is criticised in a humanistic sense, in terms of alienated labour as the estrangement of the very existence of the human being, Marx's understanding of the social form of labour is later completed by his critique of the labour theory of value and his theory of commodity fetishism, the expositions of the mechanism through which the individual's labour gets abstracted and comes to exist in the form of value and, thereby of money, on the one hand, and private direct social relations between men come to be 'hidden by a material veil', on the other, in his *Capital* and *A Contribution to the Critique of Political Economy* (Marx 1971b, p. 34).

Marx's theory of value and the nature of capitalist domination

Marx, in *Capital*, began his analysis with the two aspects of the commodity, use-value and exchange-value. However, he discovered that exchange-value, which appears

as the proportion of exchange between products, is regulated not by either use-value or exchange-value but by a third, value as the coagulation of human general labour. Therefore, exchange-value can no longer be the substance of the commodity but is merely a form of appearance of value, a mode of expression of value, which is determined by value as the coagulation of human labour within specific social relations of producers. This value-form is a social mode of the manifestation of value into exchange-value. The value of a commodity is expressed as exchange-value in the value-form and a commodity appears as a use-value in the natural form.

Alongside the development of exchange relations, the commodity-form of the products of labour and the value-form develop. Now the value-form develops as the general equivalent in the general value-form. All commodities express their values in the same body of a commodity and then express their value 'in a unified manner' (Marx, *The Value-Form*, 1978, p. 146). In other words, they have a general relative value-form. At the same time, all labours contained in all commodities are equated to one another without reference to different particular types of labour, even in the natural form of their equivalent, and therefore, exist as manifestations of human labour in general. The commodity functioning as equivalent, i.e., in equivalent-form, now is the general social form in its natural form itself (Marx 1978, p. 147). Through this development of the value-form into the general value-form, commodities are, 'for the first time, really brought into relation with each other as values, or permitted to appear to each other as exchange value' (Marx 1990b, p. 158). The general value-form develops into the money-form when the function of equivalent comes to be attached to a specific commodity, such as gold and silver. Money is a general equivalent and the social power

of money arises insofar as it functions as equivalent in a specific social relation of commodity production. In the money-form as the most developed value-form, the value of a commodity appears as exchange value expressed in a specific amount of money. The existence of money presupposes this specific social relation, on the one hand, and guarantees and, therefore, 'represents a social relation of production' on the other (Marx 1971b, p. 35). The social relation which money expresses is the social relation between the labour of a commodity and the labour of all other commodities, i.e., labour of a producer and labour of all other producers, and, therefore, the labour of society as a whole.

What Marx shows us in this analysis of the value-form is that the development of the value-form is the social process through which human private labour is deprived of its specific private character and becomes abstract labour, i.e., is the formation of a specific social form of labour, in fact the homogenisation of human labour, which develops in the development of the value relation between people (in the value-form, value-relations between commodities arise from the value-relation between people). 'It is a definite social relation of the producers in which they equate their different types of labour as human labour' (Marx 1978, p. 142). The different types of labour can only be equated insofar as the products are produced in a definite social relation and both producers are in the social relation. However, what is specific in capitalist social relations is that the specific social characteristic of the private labour appears only in the relation of exchange between commodities, since the producers come to be connected with each other only through exchange. In other words, 'the labour of the private individual manifests itself as an element of the total labour of society only through the

relations which the act of exchange establishes between the products, and through their mediation, between the producers' (Marx 1990b, p. 165). Through the relation between things, the private labour of different individuals faces the equalisation of private labour as human labour, as value-producing labour. This is the 'peculiar social character of the labour producing commodities' which raises 'this fetishism of the world of commodities' (Marx, 1990b, p. 165). Within this specific mutual relation between producers, in which producers do not mediate the relation between products but products mediate the relation between producers, the commodities' property of being exchangeable, without regard to the natural form of the products, appears to pertain to them by nature, not by the producer within specific social relations. This is *commodity fetishism*.

Commodity fetishism, which appears especially strikingly in the equivalent form, now causes the *fetishisation of social relations*, which is another essence of the specificity of capitalist social relations. In other words, the social relations between producers now appear as social relations between things (Rubin 1990). The value relations between producers formed by a producer's relating himself to another are now reversed into the value relations between products. Now commodity fetishism - the phenomenon in which the immediate exchangeability of a commodity assumed by its being produced by the producers in the specific social relations becomes the products' own property and therefore the specific character of the products as commodities appears to be determined not by the producers but by the products themselves - reverses the relations between the producers and products. In other words, although 'it is nothing but the definite social relation between men themselves which assumes here, for them,

the fantastic form of a relation between things', the social relations between producers disappear behind and are veiled by the social relations between things and do not appear immediately (Marx 1990b, p. 165).

It is a definite social relation of the producers in which they equate (*gleichsetzen*) their different type of labour as human labour. It is not less a definite social relation of producers, in which they measure the magnitude of their labours by the duration of expenditure of human labour-power. But within our practical interrelations these social characters of their own labours appear to them as social properties pertaining to them by nature, as objective determinations (*gegenständliche Bestimmungen*) of the products of labour themselves, the equality of human labour as value-property of the products of labour, the measure of the labour by the socially necessary labour-time as the magnitude of value of the products of labour, and finally the social relations of the producers through their labours appear as a value-relation or social relation of these things, the products of labour (Marx, 1978, p. 142).

Furthermore, as a general equivalent, money's property of exchangeability appears to arise from its own character, 'as it were naturally evolved', by nature rather than from the relations between commodities, in which all other commodities, within a specific social relation between producers, must express their value in money in order to be exchanged with one another (Marx 1971b, p. 48). This fetishism of money arises in the same manner as fetishism of the general equivalent, but more strikingly due to the

developed immediate exchangeability of money. The social relation between producers, which was reversed into the social relation between things by commodity fetishism resulting from the specific social character of labour producing commodities, is now fetishised into this form of universal equivalent, which appears to pertain to itself the property of mediating the relation between commodities as a result of its own nature, since the social relation between other commodities and money is again reversed due to the fetishism of money. Now the social relation between producers which makes possible the emergence of money appears in the money-form as social relations between things. In other words, 1) the social relation between men appears as a social relation between things since the social characteristic of the relation between men counts as that of commodities themselves, 2) now social relations between things appear in money mediating the relation between things, and thereby mediating the relation between producers since the characteristic of money resulting from the exchange relation between commodities counts as the property of money itself. It is in this sense that money is not a mere thing but 'a social relation of production' and a mode of existence of the specific social relation between producers, which represents the specific value-relation that producers enter into, in the most developed value-form expressing the social relation of producers within which a specific social form of labour as abstract human labour lies (Marx 1990b, p. 176). Therefore, in the money-form as the most developed value-form that represents the social relation of producers, money is not a mere form of social relations but a 'fetishised' form of social relations between people, in that what is reflected in money is the social relation of people, which is reversed into

a social relation of things through commodity fetishism so that characteristic of the social relation between producers counts as a property of a thing, money.

However, it is not Marx's aim to indicate the *real* relations between human beings behind the *unreal* relations between things. What appears as a result of all these materialistic investigations is what, in reality, we face, that social relations between people appear and really exist in the form of social relations between things. Those illusory-but-real social forms, as Rubin puts it, *consist of reality in which we live, the reified reality of social categories*.

Marx did not only show that human relations were veiled by relations between things, but rather that, in the commodity economy, social production relations inevitably took the form of things and could not be expressed except through things. The structure of the commodity economy causes things to play a particular and highly important social role and thus to acquire particular social properties. Marx discovered the objective economic bases which govern commodity fetishism. Illusion and error in men's minds transforms reified economic categories into "objective forms" (of thought) of production relations of a given historically determined mode of production - commodity production (Rubin 1990, p. 6).

This reading of Marx clearly suggests that Marx's theory of value did not aim merely at completing that of Ricardo and of classical political economy, which 'has indeed analysed value and its magnitude, however, incompletely, and has uncovered the content concealed within these forms', by explaining the way in which a certain amount

of individual labour is transformed into price in money (Marx 1990b, pp. 173-4; see also Elson 1979, p. 123).⁶ What Marx did in developing his critique of the value-form was to show the material nature of 'a social formation in which the process of production has mastery over man, instead of the opposite', of the social process that appears 'to the political economists' bourgeois consciousness to be as much a self-evident and nature-imposed necessity as productive labour itself' (Marx 1990b, p. 175). The analysis of the value-form firstly reveals that what appears as exchange-value is, in fact, the expression of a specific social form of labour, i.e., value, and it also reveals that the manifestation of human labour into exchange-value is only possible through the specific development of the value-form, which distinguishes capitalist social relations of production from all other relations. The conclusion of Marx's analysis of the value-form shows that the social relation conditioning the specific social form of labour *does not appear immediately in a concrete form of domination but as an 'abstract social domination' through the fetishised social forms, in a mysterious reality* (See Postone 1996, pp. 31, 125). Through this critique of the labour theory of value and commodity

⁶ Rather, for Marx, the question of value-form is about 'why this content has assumed that particular form, that is to say, why labour is expressed in value, and why the measurement of labour by its duration is expressed in the magnitude of the value of the product' (Marx, *Capital* Vol. 1, 1990b, p. 174). Indeed, the analysis of the value-form does not merely show us the process of manifestation of value as exchange-value. For Marx, the manifestation of human labour into exchange-value is by no means a natural fact. It is only possible through a specific social form of labour performed within a specific social relation that homogenises human labour into abstract social labour then into socially valid labour through the value-form.

fetishism, the nature of the naturalness of the bourgeois conceptualisation of society and the specific reproduction of social relations was unveiled.

Concluding Remark

The traditional Marxist theories of the state appear to be trapped in what Marx criticised as the most intrinsic shortcoming of classical political economy. Neither the essentialist theory, in which the specific capitalist separation between the political and economy is merely ignored, nor the autonomy-based structuralist explanation, in which the state appears to exist in separation from capitalist social relations by understanding the autonomy of the state as a essential nature of the state, seem to succeed in capturing the nature of the capitalist state in relation to the abstract nature of capitalist society. The starting point of a critique of the capitalist state is to see the capitalist state, not as a given entity acquiring its characteristic by nature, but as a mysterious social form which appears to exist in abstraction from capitalist social relations, as a moment of the abstract social domination of capital. In order to understand the mode of existence of the state, which appears as an independent entity in abstraction from capitalist social relations in the traditional understanding of the state, we explored the abstract nature of capitalist social relations, which is explained by Marx in his critique of the labour theory of value and commodity fetishism. According to our reading of Marx, the law of value is a law of the subordination of human labour to the value-form and therefore a law of transformation of all individuals' labour into homogeneous value-producing labour. Hence, it is also the law that underlies the appropriation and accumulation of

alienated labour as private property. In the development of the value-form into the money form, the law of value is a law of the reproduction of the social relations of alienated labour between people into a form of relations between things. As we will see in the next chapter, this is the law governing the reproduction of capitalist society, abstracting the relations of class domination through the continual inversion of social relations between people into the form of material relations between things. Marx, in his critique of the labour theory of value and fetishism, offers a theory that enables us to penetrate into the fetishistically naturalised abstract domination in capitalist society through criticising capitalist social categories and forms. In short, what Marx did was to explain the nature of the *abstract* domination of capitalist society by showing the movement of the inversion of social relations. The superficial forms of abstract domination establish the reality on which classical political economy and liberal social theories are based. In the following chapter, we will attempt to grasp the implication of the law of value exposed by Marx for the critique of the capitalist state. In doing so, we will attempt to understand the mode of existence of the capitalist state in relation to the nature of the reproduction of capitalist domination, which is based not merely on coercion but on abstract coerciveness which distinguishes capitalist class domination from other forms of class domination.

Chapter 4: The Reproduction of Capital Relations, the State and Class Struggle

Introduction

In the previous chapter, we initiated an attempt to recapture Marx's exposition of the capitalist state by tracing his critique of capitalist social relations. Marx's critique of the labour theory of value and commodity fetishism offered us a basis for a critique of the capitalist state by explaining the social organism governing the reproduction of capitalist social relations. According to our reading of Marx, the law of value is the most abstract law governing the reproduction of social relations in commodity-producing society on the basis of the movement of the inversion of social relations between people into material relations between things. The social reality of commodity-producing society is built on those social forms, through which the social relations between labouring individuals appear and exist. A serious attempt to relate the particular form of the capitalist state in the context of Marx's critique of the abstract nature of the reproduction of relations of commodity production has been made by the 'German derivation debate'. In this chapter, we will critically engage with the debate in an attempt to develop an understanding of the contradictory form of the capitalist state as a particular moment of the reproduction of the capital relations, the formation of which is rooted in class struggle as a concrete manifestation of the general law governing the inversion of social relations within capitalist social relations as fully

developed relations of commodity production. By doing so, we will define the relation between the state and capital as complementary-but-differentiated forms of totality of capital relations. This will lead us to reject the developmental state theory based on a statist understanding of capitalist society as a relevant basis of a critique of the Korean state.

1. Fetishism, Social Forms and Derivation of the State

Defining capitalist domination as fetishised abstract domination was a starting point of *state derivation theory*, which relies on the method of ‘form analysis’ deriving the nature of fetishistic social forms from social relations as a totality.⁷ This is to understand the state-form, in which political relations appear as independent of the economic, in the

⁷ Blanke, Jürgens and Kastendiek describe form analysis:

The materialist method consists then of examining the forms in which the particular relations between men are expressed and: 1. resolving them into their fixed character, a character alienated from man, apparently materially conditioned and a-historical, and then presenting them as having become historical, grown out of and reproduced by human activity, i.e., as socially and historically determined forms; 2. uncovering the inner connections, thus theoretically reconstructing the entire historical-social formation. Here the point of reference must always be the present conditions in which the forms have reached their furthest point of historical development. The aim of the analysis is not, however, to realise in retrospect the ‘course of history’ but to present the forms in the context in which they stand ‘logically’, that is, in which they reproduced themselves under the conditions of a particular historically concrete form of society (Blanke, Jürgens and Kastendiek 1978, pp. 118-9).

way in which Marx understands money as a fetishistic form through which social relations appear and exist. The state is now understood as a fetish as if it inherently has an independent political authority, as Müller and Neusüss put it:

Readers of Capital can easily understand this development of the state as a ‘particular entity alongside and outside civil society’ by recalling the dialectical development of the value-form, and then money-form, from the contradiction between value and use-value contained in the commodity. Embodied in the dual character of the products of labour as a commodity, this contradiction can only become apparent if it is expressed by a particular commodity, the money-commodity. The value-form of the commodity, which cannot be expressed in its own use-value-form, becomes expressed by the use-value-form of a particular commodity which thus becomes money. Money now appears as an independent thing, and the socio-historic character of value becomes attached to it, either as a natural characteristic of it, or by virtue of a supposed common agreement between people. The same ‘fetishism’ can be seen in the form of the state. According to the bourgeois conception, either the state has always existed since man is ‘by nature a creature of the state’, or else the state is indispensable for social (i.e., bourgeois) life, or again it was established consciously by social contract. The fact that it is the particularisation of a specific mode of production (capitalism) is turned on its head. This reification and autonomisation of the state is a necessary illusion resulting from the bourgeois mode of production

just as much as are the forms of money, capital, wage-labour, profit, factors of production or revenues. These illusions are forced upon the agents of production by the particular mechanism of this form of production, and it is these which really determine their activity (Müller and Neusüss 1979, p. 36, my emphasis)

So as to understand the mode of existence of the capitalist state without being caught by the illusory appearance of the state, it is necessary to reconsider the way in which the state became an independent political entity, i.e., the development of the way in which the social relations of production appear in the particularised form of the political state. For Müller and Neusüss, who began the German debate, the revisionist theories of the state had epitomised the lack of understanding of the independent social institutions and arena as distinctive moments of the movement of capital relations by merely accepting the social entities as they are. For them the distinctive neutral-autonomous appearance of the state comes not from its independence from the capital relation but *from a particular necessity based on a specific character of the very capital relation as the relation of surplus value exploitation*. The dual aspects of surplus value production as a labour process (expenditure of useful-labour) and surplus value production process (exploitation process based on abstract labour, value-producing labour) is the origin of the capitalist state-form which appears independent of capital.

On this Marx says that the ‘concentration of bourgeois society in the form of the state’ means that we must treat ‘existing society... as the basis of the existing state’. That is to say that the bourgeois state is the product of a

society of developed commodity production (i.e., a capitalist society) and of the contradictions which *arise from this form of production*. Hence it is an institution moulded by these contradictions... So long as the purpose of labour is the production of use-values, the subsistence of social individuals, there is no need for a particular regulatory and coercive organisation which seeks to prevent individuals and society from destroying themselves through an excess of work. Only with capitalist commodity production is this connection broken and the problem of the self-destruction of society created (Müller and Neusüss 1979, pp. 33-8).

Despite the fact that the production process aims to valorise capital through the exploitation of surplus value, the process continually needs to reproduce the source of surplus value, labour power, in the labour process. However, as far as exploitation is the supreme aim of production, individual capitals tend to destroy the very basis of surplus value production in favour of capital valorisation. As we see in Marx's analysis of factory legislation in *Capital*, this self-destructive nature inherent in the valorisation process must be regulated by something *outside of* the valorisation process itself. Therefore, 'the specific legal and organisational forms of the capitalist production process are nothing but the necessary expression of the two-fold character of the production process under capitalism as both a process of labour and capital realisation' (Müller and Neusüss 1975, p. 25). The state as an expression of the two-fold character of surplus value production is an essential presupposition for the continual reproduction

of the very process of valorisation. Indeed, the *state-form external to* the immediate valorisation process is also necessary for its regulatory roles.

The concentration of bourgeois society in the form of the state, i.e., its incorporation in an institution that appears as external to society and seems to float above it, is necessary because it is only in this form that the existence of capitalist society can be assured (Müller and Neusüss 1975, p. 77).

Because of the fact that the state had been established as an external force, the fact that the state comes actually from the specific characteristic of the capitalist relation of production has now disappeared from our sight. Just as money becomes the bearer of value by itself, the state appears, once established as an external regulator, as an independent political entity, which has its political authority inherent in it, without indicating its nature in relation to the two-fold character of capitalist production. Müller and Neusüss's contribution is to attempt to understand the capitalist state by applying Marx's understanding of social institutions as fetishised social forms to the state analysis seriously for the first time. To see the capitalist state, which appears external to and independent of capital relations, as a fetishised expression of the very capital relation and thereby to see the relations between the state and economy not in terms of the relations between 'capital' and the state as two different sets of individuals but in terms of the relation between the state and capital relations, i.e., *between social form and totality* makes it possible to overcome the shortcoming of understanding the state as a mere committee of the bourgeoisie as well as of the revisionist theory of the state. In

so doing, this understanding seems to offer us an explanation of the dual nature of state intervention which apparently has superficial-but-necessary neutrality, on the one hand, and yet is strictly limited within the reproduction of capitalist social relations, on the other.

However, their exposition seems neither to develop the method of form-analysis fully nor to understand the abstract nature of the reproduction of capitalist social relations. They attempt to derive the externality of the state from the necessity imposed by the essential complementary functions resulting from the limits of the self-reproduction of the capital relation. The limits of the self-reproduction are, however, explained not in terms of development of class struggle but in terms of the self-destruction of capital. The working class in this exposition is described as being subordinated to capital as much as individual capitals want. In this regard, they have no explanation of the essential relations between class struggle and the state in deriving the state-form. Furthermore, the matter is not simply that they derive the form of the state from the essential functions of the state but that they explain the state in the reproduction process of the capital relation as a whole without integrating the state into the inversion of social relations into the social form of the relations of things, a moment into which state formation must be placed. In other words, they seem to succeed in applying the principle of form analysis to *an established state* thereby understanding the *established state as fetish*, but without fully integrating the formation of the state-form into the formation of the abstract manifestation of the social relations of capitalist production through the fetishisation of social relations. Therefore, Marx's understanding of the reproduction of social relations, which developed in his critique of the labour

theory of value in *Capital*, through the inversion of social relations is not yet fully introduced into the analysis of the state. A more serious attempt to integrate the formation of the state-form into the abstract nature of the process of reproduction can be found in Blanke, Jürgens and Kastendiek's arguments.

In order to derive the particular state from capitalist social relations, Blanke, Jürgens and Kastendiek concentrate on simple commodity circulation which is 'the most general surface of this mode and is the most general form of the relation between the people socialised in this mode' (Blanke et al. 1978, p. 120). For them, then, the nature of the relations of simple commodity circulation, which is believed to necessitate 'extra-economic coercive force' for the reproduction of those relations, should be investigated (Blake et al. 1978, p. 121). Basically the relations of commodity circulation are based on 'the movement of value' '*as a type of societisation free from personal, physical force*' (Blanke et al. 1978, p. 122). This is a purely material aspect of the value-relations, the development of which brought about the 'depoliticisation of the economy'. However,

The material nexus of the movement of value is... a social relation amongst human beings. It is a feature of the capitalist mode of production that this relation assumes two different, *opposing forms: as a relation between things and a relation between people...* the value relation as a relationship of commodities (things) to each other exists independently of the will of the producing and 'communicating' beings. Value is the reified form of the sociality of their labour; in it the worker exists as nothing more

than the 'result', than an abstract quantity of reified labour. *On the other hand*, the realisation of value, i.e., *the actual act of exchange, presupposes a conscious act of will in the commodity owner. Commodities cannot go to market by themselves, as Marx puts it; the act of exchange presupposes acting people and constitutes a relationship between acting people*, albeit only as agents of circulation. Corresponding to the structure of exchange as the comparative commensuration of unequal products of labour (use value) according to an abstract measure (a quantity of gold representing labour time), the exchange parties relate to each other as different beings with different needs – all of which necessitates the formation on this plane of action of an abstract point of reference making this commensuration possible (Blanke et al. 1978, pp. 122-3, my emphasis).

Therefore, the two aspects of capitalist social domination, i.e., the political and economic, both of which appear fetishistically independent of each other, are here explained as resulting from the two different but coexisting aspects of the relations of commodity circulation. Since the relations of commodity circulation are not only material relations between commodities but also relations of human subjects who actually perform the exchange, there should be 'an adequate form on the "subjective side", a form which makes possible the association of private property owners as subjects, and without their being forced to an exceptional solution of conflicts through a crisis of their relations' (Blanke et al. 1978, p. 121). The material side of the relations of commodity circulation can be reproduced smoothly only with mutually coercive

relations guaranteed by a third party outside of the immediate relations of exchange. In this sense, 'the implementation of the law of value constitutes the implementation of the rule of law' (Blanke et al. 1978, p. 123). The separation of the two dimensions of domination is inherent in the relations of commodity circulation. In short, they derive the legal relations as the basis of state formation from the relations of exchange which involve subjective actions by the subjects of exchange which must be regulated by the rule of law for the reproduction of the material relations. The state is a reified form of mutual coercion in which the formal equality among the subjects of exchange is guaranteed.

Blanke, Jürgens and Kastendiek are right in arguing that the reproduction of the relations of commodity circulation is based on the movement of value, abstract force rather than physical force, on the one hand, and nonetheless, in practice, might need to be guaranteed by extra-economic force. They rightly point out, therefore, the fact that social relations of commodity production already involve coercive and unequal elements in them. However, it is problematic to derive a basis of state formation from the coercive subjective aspect of the relations of commodity circulation *in contrast with* the abstract material aspect of the relations of commodity circulation since what characterises capitalist social relations is not the fact that one aspect of the relations is coercive and the other opposing is abstract, but *the continual movement of inversion between those two aspects*, i.e., the fact that the inherently coercive relations appear continually in the form of a material-abstract form of relations. Those two aspects of the relations, coerciveness of class domination and abstractness of capitalist domination, cannot be either logically or historically divided but exist only together *in the movement*

of the inversion, i.e., in the fetishisation process. In this regards, Blanke, Jürgens and Kastendiek do not seem to understand the nature of the social relations of value-producing labour in terms of this movement. The coercive nature of the relations does not come merely from one aspect of the relations, i.e., subjective aspects, but from the movement of inversion of the subjective coercive relations into abstract material relations. What happens in this capitalist social relation is that the social relations acquire coercive reproductive power in a fantastically naturalised form. This neutral nature of the reproduction of the relations is established only through the continual integration of the subjective relations into abstract-material relations and manifestation of the subjective coercive nature in the form of neutral material forms. Therefore, understanding a relation between things and a relation between people as mere *opposing* forms is a misreading of *Capital*.

2. Logic of Abstract Domination in ‘Capital’

The ‘human relations’, which condition the realisation of value, are expressed in the form of social relations between things – that is, the value-form, the development of which accompanies the fetishisation of social relations into a form of relations between things. Hence, human relations do not necessarily *logically* appear in the form of legal relations. The sociality of individual labour (based on the commensurability of independent labour) as an intrinsic presupposition of the realisation of commodity circulation is established not by extra-economic force *but by money*. In *Capital*, money appears ‘as the means of regulation of the reproduction of the social relations of

commodity production' (Clarke 1984, p. 32) and there is no implication that the role of money as social regulator needs to be complemented by extra-economic force based on the legal relations between subjects of exchange. The relations of commodity circulation, according to *Capital*, can be logically guaranteed by this homogenisation of individual labours through the mediation of money. And the reproduction of the relation is guaranteed by the movement of the *inversion* of the social relations. This self-reproductive movement represented by two different natures, i.e., *the abstract coercion and coercive abstraction*, in unity in continual movement is an essential nature of capitalist abstract-coercive domination. The coercive force does not find a place *outside* of the value relations but *it is in there*, i.e., in the movement from the coercive nature to the abstract form through value-forms. This is the nature of the reproduction of value-relations which Marx attempts to explain in his *Capital*. Therefore,

It is possible to analyse the process of capitalist reproduction through the production, appropriation, and circulation of commodities in abstraction from the state, as Marx does in *Capital*. The state is *not* a hidden presupposition of *Capital*, it is a concept that has to be developed on the basis of the analysis already offered in *Capital* (Clarke 1991c, p. 189, my emphasis).

Although value is a form in which the social relations of commodity production appear fantastically, it does not mean that the inversion of the (coercive-human) social relations between people into the forms of (abstract-material) relations between things is a naturally given one. The value-relation (ultimately in the money-form) between things

is a social form into which people, in order to make their labour socially valid, *must be integrated continually and into which the social relations between people must be inverted continually*. What Marx shows us in *Capital* is the development of the social form of value through which this inversion continually (but supposedly smoothly) takes place and in which the coerciveness of this inversion as well as of the social relations between people do not appear transparently because the coercive relations appear, as a result of the inversion based on commodity and money fetishism, as naturalised relations of material things, i.e., in the form of abstract domination. In short, as a result of the inversion, the coercive nature of the inversion as well as of the social relation is transformed into a natural phenomenon.

It seems right to say that the 'form' of a particularly 'capitalist' state, the form as a moment of the *inversion* of the social relations, can be logically derived from commodity production since this form of social relations certainly includes the basic form of capitalist domination and reproduction, the movement of inversion of which the state is a complementary moment. However, deriving the necessity of a certain state-form from the process of the abstraction of coercive forces from the (immediate) social relations of production, this argument eventually identifies the state with a bearer of the coercive nature of the capitalist social relations and the immediate production relation with an area of abstract domination, without understanding the nature of capitalist domination based on the continual movement of inversion between coercion and abstraction. As a result, the fact that the state appears to exist independently from the social relations of production, although it develops within the social relations, is simplified as the independence of coerciveness in the form of the state. This dichotomy,

although argued as dialectical, between the coercive nature of the social relations and the abstract nature of the relations has repeatedly appeared in many arguments.⁸

In order to properly develop a critique of the state-form on the basis of Marx's understanding of the abstract domination of capitalist social relations, we have to see the more concrete forms of the inversion of the social relations emerging from the transformation of money into *capital* and the social organisation of commodified labour under the command of the capitalist. With the emergence of the social domination of capital, value no longer expresses the simple relations between individual producers but expresses the capacity of capitalists to impose abstract labour in the form of surplus value on commodified labour. In these fully developed social relations of commodity production, the fetishisation of social relations now appears in more mysterious forms in a complicated manner. At the same time, the immanent limits of the movement of inversion of the social relations finally appear in 'class struggles' between wage labourer and capitalist, which are extensively dealt with in the chapter on factory legislation in Marx's *Capital*.⁹ The self-reproductive mechanism, i.e., the inversion of

⁸ We can find this dichotomy in Hirsch (1978). Even Holloway and Picciotto (1978, 1991), who vehemently criticise the dichotomy at the beginning of the argument, often fall back into the dichotomy without fully grasping the double nature of capitalist social relations, as a movement in unity.

⁹ It is to be noticed that Marx did not deal, even implicitly, with class struggle before the full development of the capital/labour relation. The chapter on working days shows the important moment of the development of class struggle under the full development of capitalist social relations of production. It is important here to understand exactly the theoretical implication of the concept of class struggle in Marx because the class struggle is the key to connecting 'the abstract analysis of capitalist reproduction' with 'the concept of the state' (Clarke 1991, p. 190).

the coercive nature of social relations to mutual contractual equal relations, now develops a counter-movement, with the emergence of the struggle between capitalist and the working class, as the inversion does not resolve the coerciveness of social relations but draws on that coerciveness. The historical development of class struggle expresses the movement of the inversion of the social relations (including fetishisation and defetishisation), inherently incarnated in the development of the value-form of social relations.

The state should be derived, therefore, not from the separation of the coercive nature of the subjective aspect of commodity relations from the abstract aspect of objective material relations as Blanke, Jürgens and Kastendiek do, but from the class struggle that is born in the full development of this inversion of social relations, in which the subjective coercive relations are continually transformed into abstract material relations, in capitalist relations of exploitation. Class struggle between wage labourer and capitalists now express the *immanent limits* of the very inversion. In this sense, the necessity of the state cannot logically be given to the state but is what has been acquired in and through the development of class struggle. The emergence of capital conditions and historically necessitates the actual development of the form of the state and its separation from civil society, which can merely be 'supposed' as a moment of the

This is to connect the concept of class struggle as 'the determining principle of reality' with the reproduction of the reality that appears in *Capital* as self-reproductive in the development of the value-form (Marx, MEW, voll, p. 51, quoted in Müller and Neusüss 1975, p. 15). By doing so, we can make it possible to conceptualise 'political power in the form of state' as an 'expression of this contradiction of struggle' (Marx, MEW, Vol. 1, p. 51, quoted in Müller and Neusüss 1975, p. 15).

inversion in the analysis of simple commodity circulation, in the development of class struggle between collective labour and capital.¹⁰

3. The State Form and the Dual Nature of the Domination of Capital

The movement of the inversion of social relations as the basis of the abstract-coercive nature of capitalist domination is already established in the general relations of simple commodity production. Money appears and acquires the status of a fetish in which the social relations of people appear and exist. As commodity-producing social relations develops further, 'the dynamic of the society of petty commodity producers gives way to the dynamic of a capitalist society within which money functions not only as a means of exchange, but *also as capital*, serving as the means of expression and means of regulation of quite different social relations' (Clarke 1984, p. 33, my emphasis). However, the concentrated sum of value in the money-form or in the form of the means of production is not capital by itself. In order to become capital, the sum of money or means of production must be in a specific social relation in which the means of production is monopolised by some specific individuals and social labour is organised as a commodity under the command of the specific individuals. In short, a sum of money and means of production becomes capital only within specific social

¹⁰ This does not mean that the industrial struggle between collective labour and capitals is the only form of class struggle in developed capital relations. Class struggle can dominantly appear within industrial relations. However, it has recently become clearer that it also appears to confront general and abstract forms of capitalist domination directly. See Neary and Dinerstein (eds.) 2002.

relations, i.e., capital relations between capitalists and the wage-workers. Therefore, 'the analysis of money in the society of petty commodity producers cannot simply be transferred to the capitalist society, for exchange now has a quite different social significance in expressing quite different social relations' (Clarke 1984, p. 34). That is to say:

With the emergence of a new type of production relation – namely a capitalistic relation which connects a commodity owner (a capitalist) with a commodity owner (a worker), and which is established through the transfer of money – the money acquires a new social function or form: it becomes “capital” (Rubin 1990, p. 33).

However, although the social relations of production appear now in significantly different (and concrete) forms, the abstract nature of the reproduction of social relations in simple commodity production, which was based on the money-form, is preserved, and the movement of inversion based on the social power of money is also preserved in capital relations, since the general value relations between individuals are still the most abstract dominant organism of the reproduction of this society. The movement of inversion of social relations that was mediated by money appears now also in the form of the inversion that the social relations of surplus value exploitation, i.e., *capital relations*, continually appear in the form of technical relations between ‘capital’ and ‘wage labour’. Particularly as the money takes the form of variable capital which ‘directly connects the capitalist with workers’ (Rubin 1990, p. 33), the relation between capitalist and workers appears in the form of an exchange relation between two different

commodities, a sum of money commodity and sum of labour power commodity.¹¹ While the exchange relation between workers as owners of labour power commodity and capitalists as owners of money commodity is merely formally equal, i.e., 'what really takes place is this – the capitalist again and again appropriates, without equivalent, a portion of the previously materialised labour of others and exchanges it for the greater quantity of living labour' (Marx, *Capital* Vol.1, 1990b, p. 547, quoted in Hirsch 1978), the relations repeatedly, without indicating the exploitation of 'labour' by the capitalist in the labour process, appear in the form of technical relations between two different commodities. In other words, the unequivocal relations between capitalist and labourer, i.e., capital relations, appear only in the form of relations between commodities, the money commodity of the capitalist and the commodity 'labour power' of the labourer in the wage-relation. Therefore, the relations of exploitation are fetishised into the mysterious wage-form, through which the value of labour power appears as the equivalent of the value that labour has produced in the labour process. This is a critical moment of the inversion of capital relations. Through the repetitions of this inversion, the capital relation between workers and capitalists appears finally in the form of a relation between capital 'as' an economic category meaning (an owner of) a sum of means of production as a source of revenue and labour 'as' a category showing (an

¹¹ In the sociological version, they appear to be sets of social actors, who own the different sources of revenue. These are what 'capital' and 'labour' mean in most sociological scholarly literature on the theory of the state. As far as concerns Marx's argument, those arguments based on the fetishised conceptualisation of the social categories also reflect the formal abstraction. In the studies of industrial relations, they appear again to be relations between 'owners' of the two sorts of commodities, employer and employee.

owner of) a sum of labour power commodity as another source of revenue, reproducing the illusion of a 'technically' just social reality without indicating the fact that capital is 'a social relation' through which a specifically capitalist exploitation occurs (Marx, *Wage Labour and Capital*, 1977, p. 212).¹² As capital as a social relation of exploitation between the working class and capitalist class continually appears to be a thing, the capital relations that it represents are continually inverted into a material relation, which is, however, not unreal but the *only* expression of the real organism of capitalist social reproduction. The fantastic (but real) reality of capitalist domination appears now *completed* with the social domination of capital in which the exploited and exploiting are mediated and expressed merely as different sources of revenues and through exchange of them, as Rubin puts it:

In capitalist society, as we have seen, such permanent, direct relations between determined persons who are owners of different factors of production, do not exist. The capitalist, wage-labourer as well as the landowner, are commodity owners who are formally independent from each other. Direct production relations among them have yet to be established, and then in a form which is usual for commodity owners, namely in the form of purchase and sale (Rubin 1990, p. 18).

¹² This is exactly the way in which capital and labour are dealt with in the theories of the developmental state. We will return to this issue in chapter 5.

Therefore, the general form of the inversion (abstractisation) of the social relations between commodity owners, as developed in the last section, does not disappear but appears in a more concrete form in the inversion of the capitalist relation between wage-labourer and capitalist. The abstract nature of the reproduction of the social relations of commodity production still dominates the reproduction of the production relations between wage-labourer and capitalists, however, in a significantly different mode of manifestation. It is in this mode of manifestation of the social relations that *the capitalist state is fully established* as a particular moment of the movement of the inversion of the social relations, a moment of the fetishisation of the social relations.

Hirsch, recognising the fact that the reproduction of the social domination of capitalist production is based not on direct force but on abstract rule, drawing on the inversion of the social relations under the law of value, argues however that the state is to be derived only from the fully generalised and developed form of commodity production, the condition of which is 'the establishment of capitalist relations of production (primitive accumulation, free wage labour)' therefore from the antagonistic relations between labour and capital around surplus-value exploitation (Hirsch 1978, p. 59). In tracing the particularisation of the state as both logical and historical consequence of the full development of generalised commodity production in capitalist relations, he argues that the reproduction of capitalist relations of production is based not on the use of direct force in the production process but on the 'blind operation of the rule of value' in capitalist relations on the basis of the necessary semblance of the exchange of equivalents (Hirsch 1978, p. 60). This blind operation of the law of value, however, presupposes the separation of the means of production from the direct

producers (primitive accumulation), on the one hand, and the existence of free wage labourers, on the other. Here, the separation of direct force from the production relations appears as one of the primary prerequisites for the establishment of capitalist relations, the reproduction of which is based on the law of value, and as origin of the emergence of the state as incarnation of coercive force, but in separation from the production relations.

Because the process of the social reproduction and the appropriation of the surplus products by the ruling class is mediated through the unimpeded circulation of commodities based on the principle of equal exchange and through the free disposal by the wage labourer of his own labour power and by the capitalist of the surplus value which he has appropriated and accumulated, *the abolition of all barriers* which stand in the way (i.e., of the direct relations of force between the owners of the means of production and of private relations of dependence and restraints ('feudalism') in the sphere of commodity circulation) *is an essential element in the establishment of the capitalist form of society*. The manner in which the social bond is established, in which social labour is distributed and the surplus product appropriated necessarily requires that the direct producers be deprived of control over the physical means of force and that the latter be localised in a social instance raised above the economic reproduction process: the creation of formal bourgeois freedom and equality and the establishment of a state monopoly of force (Hirsch 1978, p. 61, my emphasis).

In this regard, for Hirsch, the apparent feature of the capitalist mode of production is that the exercise of direct and physical force should be institutionalised in separation from individual capitalists and must take the form of a public authority separated from the ruling class. For him, this is an essential characteristic of the mode of reproduction of relations of exploitation. This analysis rightly shows that the abstract nature of the social relations is the dominant force in the reproduction of capitalist social relations between labourers and capitalists. Indeed, he shows the apparent limits of the state's role in the reproduction of capital relations by affirming the fact that the forms of the state are contained within the principles of the reproduction of capital relations. However, he also wrongly separates the coercive nature of the reproduction of capital relations from this abstract nature by attributing the coerciveness to a separate entity and leaving the immediate production relations in a purely abstract rule, just as Blanke, Jürgens and Kastendiek did. The two characters of the reproduction of social relations (the abstractness-and-coerciveness in unity) in the movement of inversion are understood here in separation. The law of value for him appears not as a law of the movement of inversion from the class nature to the abstract-neutral nature of social relations, therefore a law manifesting its intrinsic contradiction in the class struggle, but as a law imposing a purely abstract rule on the passive working class, a rule of abstraction. This misunderstanding of the nature of reproduction appears in his analysis as an *excessive emphasis on abstractness* in the reproduction of the immediate social relations of production and *excessive emphasis on coerciveness* in the political form of

domination, both of which undermine a proper understanding of the inner connection between the political and economic.¹³

¹³ Holloway and Picciotto also seem not fully to grasp the two natures of capitalist reproduction in unity when they attempt to derive the state, following Hirsch, from the abstraction of direct force from immediate production relations.

Just as the latter freedom (the separation of the worker from control of the means of production) makes possible the abstraction of the direct use of physical force from the immediate process of exploitation, so the first form of freedom, i.e., the fact that exploitation takes place through the free sale and purchase of labour-power, makes this abstraction of direct relations of force from the immediate process of production necessary. The establishment of the capitalist mode of production necessarily involved the establishment of both sorts of freedom – the expropriation of the peasantry and the abolition of direct relations of dependence, sanctioned by force, on individual members of the ruling class. *This abstraction of relations of force from the immediate process of production* and their necessary location (since class domination must ultimately rest on force) in an instance separated from individual capitals constitutes (historically and logically) the economic and the political as distinct, particularised forms of capitalist domination. This particularisation of the two forms of domination finds its institutional expression in the state apparatus as an apparently autonomous entity (Holloway and Picciotto 1991, pp. 113-4, my emphasis).

This argument certainly undermines the excellent and insightful argument about the reproduction process as both fetishisation and defetishisation process in Holloway's later development of the argument.

4. Limits of Mystification of Social Relations, State Formation and Capital

The emergence and formation of the state is not a presupposition of the constitution of the law of value in capitalist relations but a result of the law of value, the limit of which is the limit of the inversion (which is inherently coercive) of the capital relation into class-neutral relations through class struggle between capitalists and wage-labourers. It is through this development of class struggle that the capitalist state as a moment of the capital relation, the basis of the reproduction of which lies in the movement of inversion of capitalist social relations, is fully established. With the emergence of capital and fully developed capitalist social relations of production, the form of the movement changed and the limits of the movement clearly appeared. *The limit of the inversion* of class relations into neutral non-class relations between different sources of revenue emerges from the way in which social labour is organised within this fully developed capital relation. Within capital relations, the exchange relation between workers and capitalists appears, as mentioned, as an equivalent relation between capital and commodity labour as two different sources of revenue or two different sets of individuals who own the sources of revenue. At first glance, it really appears as a free contractual relation between two commodity owners, one of commodity labour power and one of the money-commodity, as far as the capitalist promises to pay a wage in compensation for the labourer's labour. However, in the production process the 'labourer is no longer free, for the reproduction of capital depends on the capitalist controlling the process of production and compelling the labourer to work beyond the necessary labour time' (Clarke, 1991c, p. 191). Under the production of surplus-value

as ‘the absolute law of this mode of production’, the reality is that the exchange relations between workers and capitalist can be made only to the extent that labour-power ‘preserves and maintains the means of production as capital, reproduces its own value as capital, and provides a source of additional capital in the shape of unpaid labour’ (Marx, *Capital* Vol. 1, 1990b, p. 769). The rule of the law of value governing the inversion of social relations, through the inversion of the relation of exploitation into the form of relations between commodities through free-contract, now appears in the form of the ‘rule of the capitalist over the workers’, ‘rule of things over man, of dead labour over the living, of the product over the producer’ (Marx, *Results of the Immediate Process of Production*, 1990a, p. 991). Hence, the inverted social relations (relations between workers and capitalist in the form of relation between commodities they own) *come into contradiction with the reality* that workers face in the form of the powerlessness of the direct producers over production and products in the production process. Increasing accumulation of wealth in the form of capital, in contrast with their poverty (relative if not absolute) that forces the workers once again to get into the production process as powerless subjects, inherently precipitates spontaneous and, if more developed, organised forms of struggle of the workers. Therefore,

Capitalist production... is... a contradictory process in the sense that its reproduction involves the *repeated suspension of its own foundations*, which is why reproduction is necessarily marked by class struggle. In reproducing itself capital also reproduces the working class, but it does not reproduce the

working class as its passive servant, it reproduces the working class as the barrier to its own reproduction (Clarke 1991c, p. 190, my emphasis).

Here, it is thorough class struggle between wage-labourer and capitalists that the inherent limit of the law of value ruling the movement of inversion of the social relations of capitalist production into mystified technical relations emerges eventually, showing the limits of the abstractness of the coerciveness of the movement by revealing the coerciveness of the abstractness of the movement of inversion. This is the fully capitalistic manifestation of the limit of the movement of inversion, on which the abstract rule of money (and of capital) is based, in the production process under the command of capitalists. It is in this process of class struggle that the state has acquired the illusory-but-real mode of existence external to the capital relation between workers and capitalists.¹⁴

While the social relations of commodity production became increasingly dominating, the social relations of production came increasingly under the abstract rule of reproduction governed by the rule of value by which the coercive integration of the mass of the population into value-relations appears as natural. However, as we can see even in 18th century Britain, this development of abstract reproduction does *not necessarily* mean that political domination would automatically be separated from civil society. Rather, 'the boundaries between the state and civil society, between public and

¹⁴ The more fetishistic the inversion is, the more real the separation. The less successful the inversion is, the more illusory the separation is.

private power, were by no means well-defined' (Clarke 1988, pp. 21-2). At the level of domestic authorities, economic power of the landed class still coexisted with its political power, without a clear division between them. On the other hand, the central government that had often confronted the private enforcement of the separation of the means of production from farmers, intervened in primitive accumulation through what Marx called 'bloody legislation' and, later in securing the rule of capitalists by prohibiting workers from unionisation in the 18th and early 19th centuries.¹⁵ It was not until the mid-19th century, when the capital relations appeared completely established through the emergence of large-scale industry, putting the mass of the industrial working class under the direct command of capitalists, that this apparent coalition between capital and the state became increasingly subjected to class struggles.

With the emergence of capital and the transformation of the vast majority of the population into wage-labourers, the movement of inversion faced repeated suspension of its reproduction due to the nature of the way in which social labour is organised, as we saw above. Now the inversion of the capital relation faced the historical necessity that it *must* have been developed to the greatest extent so that the apparent reality of class relations, the material basis of which lies in the separation of the means of production from the direct producers, the vast majority of population, did not appear as it was. Facing the continual suspension of reproduction in class struggle, the state, which had been historically dominated by the interest of commercial capitalists and

¹⁵ Marx describes the direct intervention of the state in the labour relations in Chapter 28 in *Capital*.

later by industrial capitalists, was now engaged in stabilising the reproduction in increasing class struggles. However, the state increasingly found difficulty in identifying itself with 'capital' as far as it attempted to complement the movement of capital without provoking further challenge from the working class. Indeed, the capitalist state could not replace either the general role of money through which social relations appear in the form of relations between things, or the role of capital through which class relations appear in technical relations between commodities as sources of revenue since, if it does, it is against the movement of inversion as a whole. The state, therefore, could react to the suspension of the smooth operation of the abstract rule of reproduction only to the extent that its intervention does not harm the smooth operation of the movement of the inversion of capital relations, as the principal basis of social reproduction, the illusion of which has been the basis of the bourgeoisie's social domination. Hence, the form of the intervention that the state actually pursued should have been differentiated from the inversion of class relations into the equal relations between commodities to the extent that it does not undermine the law of value *but* remains as a moment of inversion of unequal social relations into abstract and technical relations.

In consequence, the state increasingly integrated the vast majority of the population as citizens, regardless of the fact that they, as property owners, had nothing to sell but their labour power. Through integrating the workers into its constituent unit as citizens, and thereby translating class relations into relations between equal citizens, *without regard to their places in capitalist class relations*, the state could appear now to be increasingly *separated* from capital relations but remained a moment of abstract

domination, complementing the continual inversion of social relations and therefore contributing to the making of the fetishistic domination of money and capital. *This is the moment of the mystified separation of the state from the civil society.* Again, the inversion of the asymmetric social relations of classes into technically equal relations through the form of the political state is *differentiated* from the inversion of the capital relation into technically equal relations between different sources of revenue through the form of capital, in that the basis of the political state is atomic 'citizens' without regard even to the sorts of commodity they own and their places in the production relations. Capital relations appear through the state-form not to be the fair exchange relations between money wage and labour commodity, as it does through the form of capital, which still, however, indicates the difference between the different 'sorts' of commodity which each class has, but to be politically equal relations between citizens who share universal citizenship, without leaving any formal clue indicating the difference between classes. However, this inversion through the political state is not only a differentiated but also a complementary moment of the inversion that is ruled by the law of value because 1) one can be a political citizen only as far as she or he is a personified source of revenue and 2) what is subjected to the inversion through the political form is capital relations, although the contents of the relations are not revealed.¹⁶ Now through the form of the state, the unequal relations between different

¹⁶ Certainly, the emergence of the welfare state contributed to further developing the differentiation of the state from capital relations by expanding social as well as political rights even to those who were not able to sell their labour power. However, it does not mean a fundamental change in the nature of the state but merely means a further development of

social classes are inverted into relations between ‘political’ citizens who are dealt equally in front of the law. The inversion through the state-form is essentially therefore *a complementary and differentiated moment of the inversion* through the value-form through which the immanently unequal relation between classes is transformed into the form of classless relations between things, making the state appear outside the relations of capitalist production. As a consequence, the state appears in separation from civil society, on the one hand, and in differentiation from capital, while capital and the state are complementary and differentiated forms of capital relations.

Concluding Remark

Apart from the superficial conceptualisation of the state as an independent set of institutions which is dominant in the statist argument, Marxist orthodoxy, as well as the Marxist theory of state autonomy, appeared also to fail to understand the mode of existence of the state as well as the abstract-coercive nature of capitalist domination reproduced through the continual movement of the inversion of capitalist social relations. As a result, the state has been predominantly analysed in utter abstraction from the given social relations, the reproduction process of which is inherently a process of class struggle for-and-against the inversion. In critiques of those theories developed above, we understood Marx’s superstructure-base metaphor in a quite different way by relating the relations between the state and civil society to Marx’s

mystification, in that the state appeared to be even more separated from the class relations in spite of increasing intervention in class relations.

critique of the social relations of capitalist production centred on his critique of the law of value as a social organism. According to this understanding, the dichotomy between the political and economy, either in the form of the relations between political superstructure and economic basis or relations between economic actors (sources of revenue) and political institutions, results from a specifically reified image of capitalist society. Without recognising the relations between the state-form and the totality of capital relations, bourgeois theories of the state strengthen the reified image of society by juxtaposing the 'political' state, which is believed to rely on the relations of political contract between free individuals and therefore appears without regard to the economic resources that those individuals own, against the 'economic' society, which is believed to consist of non-political relations between different sets of individuals who own technically different sources of revenue. Since the state again appears to be a set of institutions which consists of state bureaucrats, the state is understood at best in the context of the interactions between state officials and economic actors, including capital and labour 'as' owners of different commodities. Traditional Marxist theories of the state also did not appear to overcome the dichotomy since they understood 'capital relations' as mere economic relations and understood the state as an institutional superstructure existing above the economic basis, on the one hand, and saw the relation between capital and the state as a relation between economic and political units without considering that both are differentiated but complementary forms in which capital relations, the totality, appear and exist, on the other. Now, through understanding the state and capital as *complementary and differentiated forms of the capital relation* and therefore the dual nature of the mode of existence of the capitalist state, the dichotomy

between the political and economic, either in the form of the dichotomy between capital relations and the state, or between state and capital, appears to be irrelevant as a basis of a critique of the capitalist state.

The historical necessity of the separation between the state and capital relations based on the law of value lies in the manifestation of the limit of the movement of inversion of social relations, which is explained by Marx in *Capital* through the critique of the law of value and commodity and money fetishism. Once it emerges, although its functions contribute to reproducing capital relations and reifies the inversion further, however, in the differentiated form of a political entity, the state's interventions are limited within its existence as a moment of the reproduction process of capital relations. The political entity, the public state, can now appear as if it is an embodiment of the free will of individuals who are connected with one another through free contractual relationships. Therefore, it can appear without regard to the immanent origin of the form of the state, the reproduction of capitalist relations through the inversion of social relations. It is on this basis that the whole body of uncritical theories of the mystified state, including developmental state theory, is built up. The state as a political institution, either captured as a committee seized directly by capitalists or an authority and entity autonomous from capital, which appears in separation from the capital relation and in differentiation from capital, is the state that is reified and reifies itself in the process of the inversion of social relations. The development of the interventionist state in Korea, which has been captured as an autonomous developmental state without critically analysing the dual nature of it, is now to be under the critique. It is only possible to look at state formation as *a form-formation process* in the development of the capital relation

as a totality through the development of class struggle. However, before closely looking at the real development process, firstly it is necessary to reveal the mystification in which statisticians conceptualised the state in Korea as a 'developmental state', in order to fully grasp why and how the developmental state theories could not overcome the reified image of the state and distorted reality.

Chapter 5: Toward a Critique of the Korean State

Introduction

In the previous chapter, we defined the mode of existence of the capitalist state as a complementary-but-differentiated moment of capital relations, by exploring the dual – but coexisting – aspects of the capitalist state: 1) its separation from capital relations (its differentiation from capital) 2) its subordination to capital relations (its complementarity to capital). This duality is the specificity of the mode of existence of the capitalist state as a moment of the reproduction of capitalist social relations on the basis of the inversion of social relations. The separation and differentiation is real because the state actually deals with workers and capitalists in a differentiated way that all actors, without regard to the commodities they own, are dealt with as citizens whose political rights are equal. It is however an illusion at the same time because the state cannot and does not harm the subordination of the working class to capitalists and compensates the inversion of coercive and unequal social relations of people into naturalised relations between things, commodities and sources of revenue by inverting the class relations into symmetric relations between political citizens. In understanding a particular form of the capitalist state, it is important to understand that a capitalist state exists in the tension between both aspects of the mode of existence of the capitalist state, since ignoring its ‘true’ aspect leads us not to be able to understand the ways in which the state is engaged with the reproduction of capital relations as a whole. Also ignoring its ‘false’ aspect

leads us not to be able to understand the class characteristic of the state and its limits of being a neutral organisation. It is in this sense that *any particular capitalist state cannot be understood in terms merely of autonomy*.

The developmental state theory theorises, as we saw in the first chapter, primarily, if not exclusively, the first aspect, i.e., the state pursuing the ‘common’ goal of citizens without being caught by particular class’ interest, and argue this as a determinant factor in defining the state in Asian NICs. Therefore, the intrinsic problem of the theories of the developmental state is that they do not consider the state as a form of capital relations and therefore cannot understand the nature of the state. If one attempted to argue that a state is really differentiated from society and it is ‘the’ nature of a given state, then an empirical mystification must follow since the capitalist state in general cannot exist only in separation from capital relations and consequently society. The developmental state theory has a unique empirical mystifying process. The aim of this section is to analyse the mystification that the developmental state develops in seeking a relevant analytical framework for an exposition of the state in Korea.

1. The Mystification of the Korean Developmental State

Mystification as a theoretical project

If we look at the core argument of developmental state theory that appeared in their empirical analyses of the state in Asian NICs, including the Korean state, it consists of two parallel arguments:

Argument (1) the state is autonomous (from society)

Argument (2) the state serves capital accumulation successfully

The argument (1) has been a core argument of the empirical literature by statist, in which they devoted most of the space to developing an explanation of the nature of the relations between 'private business' and 'government' (Amsden 1989; Johnson 1982; Evans 1995; Wade 1990). In developing their empirical studies, they firstly tend to identify the business-government relations with relations between 'the state and capital'. Therefore, the organisational relation between government and business appears to be the state-capital relation. Given the looseness of the usage of concepts in many statist literatures, this identification does not appear problematic, provoking no serious inquiry. However, it is the completion of mystification through the second step, i.e., through transforming state-capital relations into state-society relations by explicitly excluding labour from their concern that we can finally recognise the distortion and implication made though the process of identification of relations between business and the government with the state-capital relation as being much more serious and theoretically problematic.

To translate state-capital relations into 'state-society' relations, they now introduce a set of arguments that can be called '*the developmental regime of labour relations*' which is described as the symptom (together with a weak capitalist class) of the weak civil society. Therefore, Amsden described 'weak labour' as a condition of the state domination over society (Amsden 1989, p. 147). Johnson also pointed out how weak labour was socially engineered by government as a condition of successful state domination (Johnson 1985, p. 75). Weiss and Hobson removed the labour question

altogether by describing weak civil society (Weiss and Hobson 1995, p. 164). Leftwich also argued that these 'weak civil society forces' are a condition of the strong state (Leftwich 2000, pp. 163-5). The developmental regime of labour relations is represented by the absence of an organised labour movement that, therefore, makes the state free from the challenge of the working class at the beginning, on the one hand, and by the reproduction of the peaceful silence from labour on the basis of compensation for hard-work through highly re-distributive state policies that enable the state to keep pursuing its economic policy, on the other.¹⁷ The state-labour relation here appears a completely one-way relation that presupposes the whole subordination of labour to the state. Now that labour appears to be subordinated to the state anyway and the state has a superior position in conducting capital accumulation, *the state appears as if it is free from societal-forces*. It is in this argument that they complete the identification of the nature of the relations between government and private businesses with that of the relations between the state and society. While the state's freedom from labour enables the statist to generalise the nature of the relations between businesses and government into the state's developmental autonomy from society, the highly re-distributive nature of the state's developmental policies play an important role in defining the nature of the state intervention in capitalist development as a pursuit of the common interest of nations. Mystification of the state through transforming the government's leadership against private business into apparent 'autonomy' of the state from society is done,

¹⁷ This re-distributive nature of the state's policies is again explained only by wage increase, the relevance of which is very suspicious.

without explicitly showing any real contradiction, largely thanks to the empirical absence of the social power of labour.

However, in order to find out the defect of this argument, we now have to reconsider the first mystification of state autonomy. In fact, the first step of mystification, the identification of 'business' with 'capital' already indicates the conceptual and analytical (not empirical) absence of labour. Here, in the identification of the relations between government and private business, the concept of capital now refers to '*individual owners of a source of revenue*' in the most vulgar form, without regard to *capital as a social relation*, therefore without regard to labour. If they integrate 'labour' into their analytical framework, the identification of 'business-government' relations with capital-state relations, i.e., the identification of the two completely different stories 1) that government has leadership against private businesses and 2) the fact that the state is autonomous from capital 'as a whole', appears impossible. Conceptualisation of the relations between the state and capital, in fact, presupposes a consideration of labour because the category of 'capital' apparently indicates, as a form of capital relations, the existence of a labouring class as its antithesis. Without considering labour, more exactly, *the effect of state intervention on relations between capital and the working class*, the nature of state-capital relations cannot be captured. If 'labour-capital' relations are brought into question in the first place, it becomes apparent that the government's leadership against private capitals cannot be transformed smoothly into 'state autonomy' from capital, particularly in Korea, where the subordination of labour to capital, i.e., the reproduction of capital relations, has been complemented to a great extent by the state. However, the identification of capital with 'business' as an

independent set of owners of a particular source of revenue, furthermore of state-capital relations with government-business relations in deriving developmental autonomy as the nature of the state shows us that, in the first stage of mystification, labour or the working class has already been conceptually excluded from their theoretical inquiries.

By recognising the critical defects emerging from the first step of mystification, it appears to be clear that the argument based on the 'developmental autonomy of the state' is produced, not as a result of the purely empirical studies of state-society relations in Asian NICs, but as a result of the systematic attempts to generalise government-business relations (the government leadership in the development process, which is derived from the observation of the role of government in promoting economic development, merely within the organisational relations between business and the government), in utter abstraction from capital relations, into the nature of state-society relations, on the basis of the theoretical framework that conceptually removes labour from their analysis. Instead of integrating labour into their framework and thereby recognising the theoretical shortcoming of the first identification, the statist arguments overcome the problem again by justifying the contradiction that occurred in the first stage by removing 'empirically' the antithesis of capital, i.e., reducing labour to a mere subcategory that further supports the existence of the developmental autonomy of the state from society. This is the role of the short comments on the developmental regime of labour relations, which appear in almost all statist arguments. They do so through emphasising workers' subordination to the state and not talking about the nature of state intervention extremely favouring capitalists. In doing so, they seem to successfully bury

the inherent contradiction of this argument, which might hinder the mystification of the state though generalising its leadership into autonomy.

However, the contradiction between these two arguments seems unavoidable. As we trace the process of the mystification, our conclusion gets clear. No matter how they name it through mystification, the 'developmental autonomy' of the state as the principal concept in the argument cannot express more than the superficial autonomy at the very surface of organisational relations between business and the government.¹⁸ This is also the very reason why more serious attempts to integrate 'labour' into their analyses, unless overcoming the fundamental framework of the developmental state theory, must fail. These attempts to integrate labour into the analytical framework can be found in literatures about the transformation of the developmental state, by those who understand the developmental state as a specific socio-political phenomenon which, however, has been undermined by the very successful completion of the developmental project, including the rise of the social power of capital and labour *in contrast to* the

¹⁸ Evans's 'new' concept of embedded autonomy, which has been praised and extensively quoted by scholars as 'the' concept capturing the nature of the state and society in Korea, is also confined strictly within the limit of the vulgar conceptualisation of state-capital relations as relations between business and government officials. It also shares, not surprisingly at all, the analytical absence of labour with other statist literatures. Embedded autonomy appears to imply a social mechanism through which the state acquires the channel of continual negotiation and re-negotiation with societal forces and by which the state is bound to society, indicating far more than closely interwoven relations between state bureaucrats and business (Evans 1995, pp. 12, 50, 59). However, there is no analysis of even a single case of negotiation, let alone continual re-negotiation, between the state and labour, while he argues that embedded autonomy expresses the relations between the state and 'society'.

power of the state (Kim, E. M. 1993, 1997, 1999; Koo and E. M. Kim 1992; Koo 1987, 1993, 2000).

Transformation of the developmental state and labour as a subcategory of the transformation

Most of the 'transformation' literature focuses on the decline of 'some' social settings of developmental autonomy. For example, with particular concerns about the financial liquidity allowed by liberalisation policies of the state throughout the 1980s and 1990s, Wade and Veneroso argued that the developmental state had been losing control over the market (Wade 1998, 2000; Wade and Veneroso 1998a, 1998b). As a result of this deregulation, the state-led model of development, the efficacy of which had been based primarily on a high debt/equity ratio under strict state regulation, became vulnerable to external shocks such as a sudden out-flow of capital. Together with this growing vulnerability of the economic aspect of the model, these deregulation policies appear now to have caused the demise of the developmental state by undermining the very institutional bases of the cooperation between the state, business and banks under strict regulation by the autonomous state. While Wade explains the reasons why the developmental state went wrong largely in terms of policy failure of the Asian governments, it is rather an externally oriented problem, since those deregulation policies have been provoked by external pressure from international financial markets and the governments of surplus countries, the configuration of which is based on the Wall Street-Treasury complex (Wade 2000, pp. 107-9). Another pioneer of the concept of the developmental state, Chalmers Johnson, in addition to 'under-

regulation' (Johnson 1998, p. 654), pointed out that the demise of the developmental state was provoked largely by the disappearance of the cold-war structure of the world economy, which, as he recognised, had not been investigated enough to estimate its impact (Johnson 1998, p. 656).

An explanation of these 'external' reasons for the demise of the developmental state can be found also in Jayasuriya's arguments. In an attempt to identify the necessity of the deregulation, which, he argued, cannot be found in Wade and Veneroso, he put the external pressure imposed on the developmental states in the context of more structural changes in the global economy, arguing that the demise of the developmental state resulted from a wider range of changes in global governance in accordance with the dominance of the rhetoric of 'accountability and transparency' (Jayasuriya 2000, p. 323). The developmental state, in his argument, appears to have been built up on the basis of 'a particular regime of international governance characterised by restrictions on capital mobility and a regulated domestic financial sector' (Jayasuriya 2000, p. 316). Therefore, the demise of the particular regime of global governance after the breakdown of the Bretton Woods system and subsequent institutional undermining of domestic control over capital flows are to be followed by the demise of certain forms of national state, which are configured corresponding to the particular form of governance. It is 'the net effect of these changes in global governance to make problematic the type of developmental state', strategies of which now also appear inappropriate (Jayasuriya 2000, p. 321). The following dominant form of the state is a dualistic 'regulatory' state, the nature of which seems to fulfil the requirement of new global governance by refashioning the modalities of governance, i.e., by setting a strong state able to impose

the rule of law but at the same time allowing free operation of the market (Jayasuriya 2001, p. 110).¹⁹

Although it is true that, as Wade, Veneroso and Johnson argued, the unfolding of deregulation in the Asian region affected the trajectory of capitalist economic development in the region significantly, these arguments lack evidence showing the internal necessity of deregulation and the demise of the 'developmental' state. Rather, these arguments seem to explain the demise of the state following deregulation merely in terms of a series of contingent policy failures that were avoidable if the 'policy makers' had not been misled by international pressures and been able to stick to their principles, relying largely on situational evidence that could appear in any economic newspaper, such as Kim Young-sam regime's desire to get in to the OECD while they were in office (Wade 1998, p. 1539; Johnson 1998, p. 654). In this sense, the analytical framework they are using in the attempt to explain the demise of the developmental state is more or less the same as the one on which they relied when they were building

¹⁹ Although both Wade and Jayasuriya pointed out some internal socio-political changes, neither of them seems to be able to go beyond the old framework of the developmental state, in which the relations between the state and society appear to be confined within the fetishistic government-business relations. For Wade, although he does not provide concrete evidence, the shifting 'power balance between manufacturing, finance, and the state in favour of private finance', which identified its interests with those of foreign financiers, appears to necessitate the state to allow a great degree of liberalisation (Wade 2000, p. 108). While Wade seems to put the state and manufacturing in opposition to financial capital and understands the internal power shift basically in terms of competition between fractions of capital, this shift is captured by Jayasuriya in terms of changes in the power balance between the state and business groups in general that resulted in more independence from the technocratic elite as a part of the democratisation process (Jayasuriya 2000, p. 318).

up the developmental state theory. The only different thing is that here state bureaucrats did well before, against national social actors, but not now against international businesses. However, it is interesting that they are not talking about what happened to the brilliant state bureaucrats who had once been praised by those theories for making possible the economic miracle. In this sense, Jayasuriya's argument seems to have better explanatory power in that he attempts to explain 'how the state forms are embedded within the particular sets of global structures' and 'how the state structures are being reconfigured in new global political economy' (Jayasuriya 2001, p. 102). However, he does not seem to overcome the 'old' paradigm either. Rather, his argument attempts to understand the demise of the developmental state, in the vain attempt to leave the old theories intact, merely by bringing a more 'global' context into the existing framework. Due to this, he could not resolve the question of the relations between globalisation and the state either. It is indeed important to explain how the removal of the control of capital affected 'the pattern of co-ordination of economic behaviour and outcomes'. However, on the other hand, the removal of capital controls resulted from capital's attempt to overcome the barriers to the maximisation of profit (no matter what the form of it is), which had been confined largely within profit from productive investment within national boundaries. Therefore, in order to understand properly the transition of the national states in the context of globalisation, it is also important to explain why and how national patterns of co-ordination of economic management have been undermined within national boundaries. Furthermore, 'the co-ordination of economic management through political-bargaining' (Jayasuriya 2001, p. 102) can not explain the 'old' nature of the state and capitalist development in Asian

NICs, including Korea, since both ‘co-ordination’ and ‘political bargaining’ empirically existed only between business and government as sets of functional individuals, not representing the nature of relations between the state and the working class, which should be conceptualised as ‘coercive’ relations without any institutional negotiation, therefore not explaining the relations between the state and ‘capital’ either.

It is in Eun Mee Kim’s arguments that we can find a more serious attempt to try a rather fundamental reconstruction based on the reconsideration of ‘labour’ inspired by the recent development of the labour movement in Korea. For her, ‘contradictions inherent in the developmental state are enough to instigate its own decline’ (Kim, E. M. 1999, p. 41). Therefore, for her, ‘external actors, institutions, and conditions merely hasten the decline’ (Kim, E. M. 1999, p. 41). The internal motivations are here explained primarily in terms of two inherent contradictions of the developmental state. Firstly, it is based on ‘the contradiction of institution’, which makes the role of the state as the primary institution providing economic services tend to decline by allowing, as a consequence of the successful provision of the services by the state, other social institutions, notably the big South Korean *chaebols*, to enhance their ability to provide those services by themselves. On the other hand, the autonomy of the state also appears to have an inherent contradiction. ‘The state’s autonomy faces increasing erosion if it is successful’ since the successful exercise of the autonomous power also tends to undermine its own basis, ‘the underdevelopment of civil society’ (Kim, E. M. 1993, p. 232). As industrialisation deepened, societal forces appeared no longer to be subordinated to state control as much as they had been once, at the beginning of industrialisation. In particular, *labour*, from the mid-1980s, seems to have significantly

challenged the state's repressive policies, which was one of the pillars of Korea's catching-up development (Kim, E. M. 1993, pp.234-9; Kim, E. M. 1997, pp. 203-10). Accordingly, looking at the internal structural changes in state-society relations from which the developmental state is believed to have sprung, it seems that the reformulation of the developmental state theory in the aftermath of the crisis is a mere part of more long-term changes. Therefore, according to her argument, although most of the statist arguments explain the demise of the developmental state as if it were a sudden death, the demise of the developmental state, more specifically the transition from a 'comprehensive developmental state to a limited developmental state', is not new but had already been widely recognised even far before the emergence of the crisis (Kim, E. M. 1993).

It is noticeable that Kim, not following other statist arguments, does not remove labour from her analytical framework and therefore attempts to put the development of a specific form of the state in the context of class formation. It is in this sense that Kim's argument offers us a better picture of the changing form of the state. Kim shows us the dynamics of the development of the state by tracing the historical transition from the comprehensive to limited developmental state. She did this effectively by showing the reformulation of the state in accordance with changes in relations between the state and social forces, not merely between government and business but including the changing relations between *the state and labour*, on the one hand, and with the changing global condition of capital accumulation, as well as national development of capital accumulation, on the other. However, it seems too early to judge the relevance of her argument because she also accepts the fundamental framework of the developmental

state theory without recognising a conflict between the statist framework and her attempt to integrate societal forces other than the government and business into the understanding of the relations between the state and society and the analysis of the form of the state. As a result, the transformation of the particular form of the capitalist state in Korea is described as a transformation from an autonomous state to a non-autonomous state.

The first obvious problem in her argument is that the relations between the state and civil society are neither relations between the state and capital relations nor the relations between the state's intervention and the reproduction of capital relations. Rather, the relations appear to 'consist of' the relations between the state and business, on the one hand, and the state and labour, on the other. Accordingly, even in her argument, the capital relation itself does not appear important outside the institutional relations of labour with the state, on the one hand, and business with the state, on the other. Therefore what is important here is not the nature of state intervention with regard to the reproduction of capital relations as a whole, as a differentiated and complementary moment of the mystification of capital relations, but the nature of the relations between the state and business, on the one hand, and between the state and labour, on the other, both of which are captured by domination of the state over each of them. In consequence, her attempt to grasp state-society relations more fully by integrating labour into the analytical framework still leaves the essence of the developmental state theories, the developmental autonomy of the state from 'society', intact, without overcoming the understanding of 'capital' and 'labour' as different sets of owners of sources of revenue. On this basis, she manages to understand, in spite of her critique of

the analytical limits of the statist theory in capturing the dynamics of the further recomposition of the state (Kim, E. M. 1993, p. 244), the transition of the state largely within the statist framework, from the birth to demise of the autonomous state.

However, it should be pointed out that both the integration of labour into the analytical framework and the theory of developmental autonomy as the nature of a state *cannot* be compatible with each other. The developmental state theories and their concept of developmental autonomy are only sustainable, from the very beginning, with the systematic and conceptual removal of labour (although it is decorated by the ‘empirical’ absence of the social power of labour). As we saw, if labour becomes a category that must be considered in understanding the trajectory of the form of the state and, furthermore, the relations of the state with capital relations (not with capital, on the one hand, labour on the other), the concept of developmental autonomy can no longer survive. Therefore, if one is willing to understand the transitional moment of the state form through capturing labour as well as capital, developmental autonomy should be abandoned. In this sense, Kim’s argument seems merely to replace the empirical absence of labour with the empirical ‘uprising’ of labour.

Koo (1993) also points out this analytical problem of the developmental state and its consequence, arguing that it tends to ‘exaggerate the autonomy and strength of the East Asian state and to interpret economic growth in isolation from other political and social changes’. For him ‘the notion of a “developmental state,” represents only one facet of the relationships between the state and civil society’ therefore ‘it does not facilitate grasping with the totality of economic, political, and social transformations that the

Korean people have experienced in modern times' (Koo 1993, p. 7). Furthermore, he also rightly points out the intrinsic problem of the developmental economists that they 'have rarely looked at labour as more than a factor of production or a factor of comparative advantage' (Koo 2001, p. 4). However, he fails to develop his argument any further than a humanistic critique of the developmental economy. Like Kim, Koo does not reconsider the concept of developmental autonomy and argues that 'the state clearly enjoys more autonomy from class power than is commonly assumed in Marxist literature, and it has played an independent role in the making and unmaking of classes' (Koo 1993, p. 5), whereas he argues that, in order to understand the state properly without reducing state-society relations to the narrowed-down relations between business and government, labour should be dealt with as an important societal force. He rightly points out the distortion that the developmental state theories make but does not recognise that the distortion is the very basis of the concept of developmental autonomy. Since these accounts emphasising the importance of 'labour' do not distinguish themselves from the statist by criticising the theoretical basis of the theories, those excellent socio-political analyses of labour and the working class are easily integrated into developmental state theory as a sub category, explaining and confirming the autonomy of the state from society in a more humanistic way (See Koo and E. M. Kim 1992; Koo 1987, 1993, 2000). In exactly the same manner, Deyo's pioneering analyses of labour in Asian NICs suffers from the same problem (Deyo 1987, 1989), merely being quoted here and there as evidence of the developmental state being autonomous from society and fulfilling the conditions of their ideal type of the state.

2. Toward the Demystification of the Developmental State

From analysis to a critique of the Korean state

The statist explanations of the developmental state seem to rely on empirical studies of the state apparatus and its effective intervention in economic development. Then they derive an apparent autonomy of the state as the basis of the success of the interventions. However, as we saw, the conceptualisation of the Korean state as well as other states in Asian NICs, in terms of the ‘developmental state’ was a process of mystification of the state by dealing with the set of empirical data in a very specific way. This mystification process shows us a serious theoretical problem which, in statist argument in general, identifies the leadership of the state against private business with the autonomy of the state from society. This identification between those two concepts is however, not new but already indicated in Evans and Rueschemeyer’s essay in *‘Bringing the State Back In’*, when they did not explain the reason why the state appears autonomous, even if the state leadership results in better ‘capital’ accumulation. Recognising the mystification, more labour-concerned analyses attempt to focus on the development of the working class, thereby overcoming the absence of labour in statist argument. However, the fundamental problem does not lie merely in the analytical absence of labour. This identification and analytical absence of labour shows us a fundamental assumption, because of which the statist argument in essence could not grasp the contradictory basis of the capitalist state and its relations with society, although they might succeed in showing the contradictory basis.

The most prominent problem that can be found in statist literature is that they assume that the state exists essentially in separation from society. This does not mean that statisticians actually argue that all the state is autonomous from society, as we can see in Evans and Rueschemeyer's flexible conceptualisation of state autonomy or Skocpol's obsession with the empirical diversity of state autonomy. However, it does not mean either that each case is merely different from one another. Rather, the difference between the autonomous state and the non-autonomous state appears for them not as a difference between cases but a difference between 'an ideal type' of the state and state-in-reality. While the 'empirical' autonomy of the state in reality as an organisation or social actor appears to develop through social interactions between the state and other social actors, the conceptual existence of state autonomy as the nature of the state appears to be given to the state in general as an organisational potentiality, the realisation of which depends primarily on the organisational coherence of the institution. In this sense, state autonomy is neither a 'general' feature of the capitalist state nor a structural feature of capitalist social relations but an organisational potentiality of the state as a supreme set of organisations. The degree of autonomy depends on whether the given state succeeds in concretising its inherent *potentia* into reality or not. Hence, although they seem to appear not to have a general theory of the state, they do have an ideal type of the state and this ideal state is autonomous from society and societal force, the prototype of which can be a 'developmental state'. Given the fact, although they argue that state autonomy is not a general feature but a conclusion of the analysis of a specific economic development, the conclusion of their analyses seems a natural and necessary result of their theoretical presuppositions and assumptions rather than of their

empirical exploration. Further, even though the separation of the political from the economic appears as a conclusion of the analysis, this is not a result of their analysis but merely another expression of their theoretical assumption, a naturally assumed presupposition without a critique.

The danger of this fundamental assumption of developmental state theory is that analyses based on this assumption cannot grasp the contradictory aspects of the capitalist state: 1) its separation from capital relations and its differentiation from capital 2) its subordination to capital relations and its complementarity to capital. This means firstly that the state appears and exists as if it is free from the relations of subordination of the working class to capitalists (reducing both of them to a set of citizens). What lies behind this mystification of the state on the basis of the flourishing empirical analysis is the abstraction of social institutions and subjects from capital relations. In this understanding, a capitalist society appears as a sum of atomic elements that are ‘capital’ as the source of means of production, ‘labour’ as the source of labour power and the ‘state’ as an institutional regulator (therefore there are no differences between capital and business; government and the state; labour and employee). The ideal type of the state is a state that could function as a political entity mediating between the equal sources of revenue without being engaged in pursuing the interest of either labour or capital, therefore treating them merely as sets of individual citizens, each of which has a different economic function. In the same context, for them, a successful economic development in Asian NICs was possible because they, the independent subjects, maximised their own functions and especially the state maximised its role of a regulator, not as a mere apparatus of the dominant class but as the autonomous apparatus

‘standing outside and above the class struggle’ (Clarke, 1991c, p. 183). Therefore, the characteristic of the state appears not to be formed through a formation of a specific articulation of the forms of capital relations but to be given by its natural form and to pertain to the state itself originally. In the end, the state is analysed ‘on the basis of their appearances without a critique; *as a fetish*. As a result, the autonomy of the state becomes an essential feature of the capitalist state, not an object of critique of the mystification. There lies the origin of the misunderstanding of the developmental state. By assuming that the state as a ‘political actor’, as well as economic regulator, could stand above society and any class interest, therefore, in fact abstracting the state from capitalist social relations of production and attributing a phenomenal feature of capital relations, the developmental leadership of the state against individual capitals, to the category itself, the attempt to ‘bring the state back in’ seems to succeed merely in bringing the state back in the fetishised understanding of society. It is in this sense that the statist approach shares exactly the same theoretical basis with the neo-classical approach. The only difference between them is that the statist believe that the state occasionally could act in favour of a whole society, while the neo-classical approaches believe that it hardly happens.

Therefore, in the following historical analysis of the formation of the Korean state, the autonomy of the state will be neither the starting point of state analysis nor the essential nature of the capitalist state but an object of critical inquiry with regard to the mode of existence of the state, which has an essentially class character as an aspect of the social relations of capitalist production. However, this does not mean that the following critique will be devoted to confirming the class characteristic of the Korean

state which appeared in the form of the direct domination of the state by the capitalist class. Rather, it will also trace a historical process through which the class character could appear in the form of an autonomous state, which by all means attempts to represent itself as the guarantor of the general interest of citizens, just like other categories of bourgeois political economy as ‘a historical reality in capitalist society, at least a real appearance’ (Wood 1999, p. 23). This is to replace ‘state analysis’ based on the fetishised separation of social categories with a ‘critique’ of the state. Critique means here to penetrate into the mystified forms not by looking at what they appear to be but by looking at how they are formed as moments of the formation of capitalist social relations. As we saw above, the state does not come from the functional necessity of capital accumulation as capital’s good fortune, which is given from outside of social relations. Rather it develops from the very inside of the development of the totality of capitalist social relations formed within and as a result of class struggles. It is in this sense that understanding the development of class struggle forming the particular composition of capitalist social relations is the most important principle of a critique of the state.

The state in the development of capitalist social relations in Korea

The starting point of a critique of the Korean state is to understand ‘developmental autonomy’ not as the nature of the state but as being based on a superficial aspect of the development of *(the reproduction of) particularly articulated capitalist social relations*. Here, ‘particular articulation of capital relations’ refers to the specific way in which the relations of surplus value exploitation between the working class and capitalist are

socially organised and reproduced. This articulation is moulded by and subjected to class struggle, on the one hand, and conditions further class struggle by providing social classes with the material basis of continuing class struggles. A particular form of capitalist state here is understood as a particular node of a particular articulation of capital relations, on the one hand, and at the same time as a subject of class struggle, the result of which in turn conditions the further development of the articulation. In this way, a particular form of capitalist state can be explained not as an entity abstracted from capital relations as a whole, but a form in which capital relations appear and exist. Furthermore, it is only in the context of this formation, demise and reformulation of the particular articulation of capitalist social relations as a totality that the development of the specific form of the capitalist state can be explained, without falling back into the mystification of the developmental state by generalising the state's relations only to a set of individual capitals (rather than capital-in-general as a social relation, the conceptualisation of which must entail relations between capitalists and the working class), which is a mere moment of the articulation.

In order to trace the trajectory of the development of the particular form of the capitalist state, three analytical moments of the history of Korean capitalist development will be brought into serious consideration; *the relation between capitalist and the working classes, the working class and the state, and the state and the capitalist class*. While each relation has its own trajectory of development, the relations are to be described as forming the articulation of capitalist social relations by again being interwoven with each other through the national unfolding of class struggle. Although it seems true that the development of class struggle within the national boundary gives

rise to an immanent moment of the historical development and crisis of the state, this by no means supports a simplified general theory that a nation state is formed entirely by the results of domestic class struggle. Certainly, the national state is a moment of national capital relations. However, as we can see particularly in the unfolding of the crisis of the national social relations of production as well as a specific form of national state, the national state does not exist in separation from global capitalist development because national capital relations *do not* exist independently of the other national social relations but exist as a node of the global social relations as a whole in the interactions among the national ones, also participating in the formation of the global entity. Therefore, the reproduction of the capitalist state as a moment of the reproduction of national capital relations is based on the reproduction of the national relations of exploitation which is conditioned within the development of the global relations. The development of the national state is, in other words, not free from global capitalist accumulation but confined within capitalist development as whole, since the national social relations of production only exist as a node of the global relations as a whole (Burnham 1997, 1996; Burnham, Brown and Bonefeld 1995, Holloway 1996; Clarke 1977, 1988, 1991). In turn, global capital relations as an entity appear in the form of a national capital relation not directly *but only through the mediation of class struggle developing in the nations*. Although the development of global capital relations conditions and confines the national development of social relations, this does not mean that the development of global social relations of capitalist production is a given determinant of further development of national relations. Rather, the global capital relations come to exist and appear as national relations only through the mediation of

the development of the national class struggles. In other words, the developments of the global social relations are mediated, therefore determined, into a specific form of national social relations of capitalist production and their political forms, by the development of domestic class struggle occurring within and over the existing social relations. In class struggle, the temporary results of which reproduce the national capital relations, the state appears to compromise the national capital's interest with the development of global capital relations in the form of the development of the in-and-out flow of capital, monetary control, commodity trade, regional conflicts, trade conflicts, foreign aid, foreign policies, etc, through attempts to reproduce the national relations in favour of a more effective capital accumulation of capital in their territory.

Given the historical trajectory of the analytical moments and its articulations which developed through national class struggle and within the context of global capital accumulation, Korean capitalist development can be divided, only for the sake of grasping the distinctive development as well as continuity emerging from class struggles, into three main periods. Firstly the early formation of capitalist social relations covers a period of the Japanese colonial regime, subsequent US military control and Rhee Syng-man's government in the 1950s. During this period, the elements of a particular form of reproduction of capital relations, including unilateral labour relations at the workplace, state's control over labour and regulation of individual capitals by the state, began to be formed through a development of class struggle in the particular context of colonial development, liberation, civil war and subsequent US aid at the beginning of the Cold War. However, it is since the 1960s that the capital relation in Korea has been articulated in such a way that 'the political'

regulated individual capitals, through nationalising banks and financial institutions and allocating foreign loans, as well as labour, through anti-communism-based control at the level of the immediate production process by police and intelligence agents and a government-directed union federation. Therefore, the second period, between the military coup by Park Chung-hee and the political crisis of the state in 1979, will be analysed as the culmination of the development of the specific articulation of capitalist social relations in Korea. Also, it is in this second period of capitalist development that the state began to appear not as a mere tool of capital, as it had appeared in the form of the immediate alliance between a few capitalists and government officials in the 1950s, but as a 'developmental actor'. Since the state excluded the capitalists who had been allied with Rhee Syng-man's government from politics and then put 'individual' capitalists under the institutionalised control of the state, the capitalist class appeared to be subjected to the authority of the state. Therefore, in spite of its extreme class characteristic, the class characteristic of the state *did not* appear directly in the form of the subordination of the state to capitalists but rather in the form of the subordination of individual capitalists to the state, creating the image of a state independent from the dominant class. However, the second period of the development of the articulation, which showed the culmination of the particular capitalist developmental trajectory and a miraculous accumulation of Korean capital, taking advantage of the expanding capitalism in the post-war era, was also the moment that class struggle from the working class started to undermine the very basis of the articulation. Throughout the 1960s and 1970s, the working class movement developed from scattered spontaneous resistance to

an organised movement in the form of ‘democratic trade unionism’ and finally precipitated a political crisis of the particular capitalist development of Korea.

Although it is true that each period of the development has its context in international political economy, such as expansion of Japanese imperialism, US aid, Cold War, the post-war boom and subsequent challenges from emerging NICs, the context of the development of global capital accumulation is particularly important in understanding the more recent transformation of the Korean state. The recent transformation of the Korean state can best be captured by understanding it as a moment of the transformation of the articulation of the capital relation as a whole, which has developed through domestic class struggles, particularly in Korea, through the massive politicisation of class struggle since the late 1970s and its full blown development after 1987, on the one hand, and through increasing capital accumulation accompanying the greater engagement of Korea’s domestic capitals with global crisis-ridden capital accumulation and growing necessity of the monetisation of the reproduction of the capitalist social relation, on the other. Especially, after the short third period of the incomplete reproduction of the articulation between 1980 and 1986, during which vain attempts of the state to sustain its control over labour precipitated a massive scale of politicisation of class struggle, the decade from 1987, at the end of which the general crisis occurred, appeared to witness that the particularly articulated capitalist social relations have undergone a period of demise. Also, the more contemporary development of class struggle during and in the aftermath of the crisis and the market-based recovery from the first general crisis seems to have led to significant recomposition of Korea’s capitalist social relations, accompanying changes in relations between labour and capital,

between the state and labour and between the state and individual capitals, showing particular symptoms such as the growing marketisation of labour control with regard to the labour-capital relation, forceful institutionalisation and authoritarian management of the flexible labour market by the state, and growing depoliticisation of the regulation of individual capitals.

Concluding Remark

As we saw above, the developmental state theories developed on the basis of the concept of the developmental autonomy of the state from society, relying on the false generalisation of a superficial moment of the particular articulation, in abstraction from other critical moments. The contradictory relation between its differentiation from and complementarity to capital-in-general could not be explained in this framework. The post-developmental state theories, even the socio-political analysis of the developmental state which focuses on the question of labour as an important category, seem merely to reproduce, or at least allow, the mystified image of the state by decorating the old theory by a new context without seriously reconsidering the old theories. It is in this sense that neither the transition from the developmental state to 'limited developmental state' nor the transformation from the developmental state to the 'regulatory state' can explain the changing form of the capitalist state in Korea. In spite of the poor performance of the really existing so-called post-developmental states and the problematic conceptualisation of the nature of the state, the 'developmental state' now becomes an even more fashionable concept, widely accepted by social democratic and

even Marxist analysts as if it is an alternative path of development against growing multinational capitals and gigantic financial capitals. It is important to notice that the statist approach cannot capture either the specific form of the state or the recent transformation of the state *as far as* it abstracts the formation of the state from capitalist social relations as a whole and thereby captures one superficial aspect of the articulation of capitalist social relations as the nature of the state itself. In the following chapters, a historical critique of the Korean state, in which we will explore the development of the specific form of the capitalist state in the light of the birth, development, demise and reformulation of the particularly articulated capitalist social relations, will reveal the irrelevance of the theories of the developmental state, by showing how the historical facts are misused by the theories that we have seen so far, on the one hand, and uncovering the dynamics of the development of class struggle in Korea, but without isolating it from the context of the development of global capitalism, on the other.

Chapter 6: The Early Formation of the Social Relations of Capitalist Production and the State

Introduction

In previous chapters, we confirmed that the autonomy of the state is not to be the starting point of state analysis but to be an object of critique, the aim of which is to show the formation of the mystified form of the state in and through which the totality of capitalist social relations are manifested. Now we are moving into an empirical analysis of the development of the Korean state by subjecting the history of the development of capital relations in Korea to a full-fledged critique, in which the mystified form of the Korean state will be unveiled. In the following historical critique, the way in which the so-called ‘developmental’ state emerged will be explored. However, this will be done not only by looking at the formation of the state apparatus itself but also, and more importantly, by tracing the historical formation of specifically articulated capitalist social relations as a whole. The process of the early formation of the totality, encompassing the development of the specific form of the state, will show that a specific class composition, which was formed through specific historical class struggles in capitalist development, led to a development of particularly articulated social relations of capitalist production. Furthermore, this history will show how the specific process of the reproduction of capital relations has formed, by relying most of all on the state regulating individual capitals and the collective power of labour, the

form of the Korean state providing a distinctive mystification into which the developmental state theories fell back. In this chapter, the critique of the Korean state begins by looking at the particular formation of social relations of capitalist production in Korea in the Japanese colonial period, during which the colonial initiation of capitalist development conditioned a further development of class struggle and thereby a distinctive form of the capitalist state after the liberation.

1. The Colonial State and the Beginning of Capitalist Development

Primitive accumulation and the colonial state

Before Japan occupied Korea in 1910, Korean society was based not on the social relations of capitalist commodity production but predominantly on pre-capitalist relations of dependence based on lineage. Production was not dominated by 'market activity' and therefore, 'a money economy had not yet spread throughout Korea' (Amsden 1989, p. 31). Although petty commodity producers and locally rooted commercial capitals existed, Korea was basically a self-sufficient agricultural society, with a lack of development of capitalist social relations. Korean Society during the Joseon Dynasty (1392-1910) had been based primarily on the two classes, landlord aristocrats, called *yang-ban*, who had a wide range of privileges through lineage-based class discrimination and farmers, who had been allowed to own small size lands under state-guaranteed hereditary land ownership, and who produced for their own needs and paid taxes to the Dynasty. Although the state and economic domination were 'institutionally' separated, the immediacy between economic and political domination

was incarnated in the social influence of the *yang-ban* landlord class over the whole society, based both on 'access to hereditary land wealth' as well as 'a close identification with the centralised bureaucracy' (Kohli 1994, p. 1271). During the 19th century, the increasing power of the *yang-ban* class, against the monarchy as well as farmers, resulted in expansion of its land at the expense of farmers' and turned many farmers into peasant or half-tenant farmers, decreasing the tax resources for the monarchy. Subsequently, the state was forced to brutally exploit the peasant class who worked to provide the consumption needs of the household and 'fulfil tributary obligation' to those who held political, social and economic power (Amsden 1989, p. 30), in order to overcome its fiscal crisis.

Growing tension in the traditional social order appeared in the peasant rebellions against rural aristocrats and landlords in the late 19th century. In southern provinces, most noticeably Chola province, peasants organised themselves under the semi-religious nationalist reformism, *Donghak*, against the aristocrats who were believed to trouble the 'benevolent kingly rule' (Lee 1984, p. 284, quoted in Cumings 1997, p. 117). After victorious battles with the government army in Chola province, the *Donghak* movement developed into a modernisation movement, asking the monarchy to remove the whole traditional class system through 'the removal of yang-ban oppression, the burning of slave registers, an end to the strict social hierarchy, a general redistribution of the land' and removal of Japanese intervention (Cumings 1997, p. 118). Instead of accelerating its own modernisation plan by taking advantage of peasant rebellions, the monarchy understood the rebellions as an attempt to overthrow the monarchy itself and smashed the rebellions under the auspices of the Japanese army that had defeated the

Chinese army which had been also attempting to intervene in the peasant rebellion in order to strengthen China's influence over the Korean peninsula. After the defeat of the peasant army in late 1894, Japan forced the monarchy to modernise the traditional social system. Under Japanese supervision, a modern reform was implemented by the legislation of 208 modern laws, removing slavery and inherent class distinction and establishing a modern state organisation (Cumings 1997, p. 120). Following this reform, the Great Han Empire (*Daehan Jeguk*) was established. However, the nature of the reform was significantly different from what the Donghak movement had required. First of all, the reform was in fact designed under Japanese control, as a bridgehead for the colonisation of Korea, which finally happened in 1910. Indeed, land reform, which was critical to remove the social power of the *yang-ban* landlord class, was not implemented. As a result, a colonial capitalist development, which aimed to exploit Korea in the interests of Japanese capital accumulation without harming the traditional landlord-dominated class system, began in 1910. Now the Joseon government-general was implanted as a modern state, replacing the Great Han Empire.

After Japanese occupation, the separation of producers from the means of production was accelerated by 'the cadastral surveys', which were implemented with the introduction of 'the land survey law' in 1912, immediately after the Japanese occupation. The cadastral surveys from 1910 to 1918, which were enforced in order to found the material basis of colonisation by the colonial rule of Japanese imperialists, was the process that basically accelerated the deprivation of land ownership, which had been guaranteed with nationalised land in the Joseon Dynasty but already been undermined by the expansion of the *yang-ban* landlord class during the 19th century,

from the farmers as direct producers. Restructuring the whole society by means of creating private property rights in land, this survey resulted in an increase in 'tenant farmers', from 37.7% in 1918 to 53.8% in 1932, who heavily suffered from the high rate of rent for tenancy, and eventually led to the separation of the mass of the population from the means of production and subsistence (Amsden 1989, p. 54). In addition to the survey and reformulation of forms of property in land, the 'plan to promote rice production', which was an important part of Japanese Imperialist policy, also contributed to primitive accumulation.²⁰ This plan, which was implemented from 1920 to 1933, as a result of which 'the peasantry was squeezed to the bone' (Amsden 1989, p. 34), was for the supply of cheap rice in order to reduce the cost of labour power in Japan, which suffered from crisis-ridden capital accumulation and emerging class struggles after the First World War boom (Ho 1984, p. 350). These two Japanese colonial policies consequently gave rise to a massive proletarianisation of the population. Some of the proletarianised tenant farmers, who suffered from hierarchically structured exploitation of agricultural labour and deterioration of income distribution resulting from forced sale of their products at a cheap price for export to

²⁰ Primitive accumulation by the Japanese colonial state brought the separation of the means of production from the producers. However, while primitive accumulation was successful in separating the land from farmers, it was not accompanied, unlike the usual primitive accumulation in the development of capitalism, either with the development of Korean capital or with the development of wage relations between commercialised farm owners and farmers. The accumulation of capital in Korean's hands was very small and the relations between farm-owner and farmers were not wage-relations but tenant relations.

Japan, became wage labourers in the 1930s when colonial industrialisation actually began.

Significantly, this process was pushed forward not by emerging Korean industrial capital seeking labour power to employ in capitalist commodity production, but initially by the 'implanted' state, which attempted to enhance control over Korea and therefore secure the production of cheap rice and create the cheap labour power which could be employed by Japanese capital.²¹ The Joseon government-general, which had a Japanese army or navy general as the governor, under the control of the prime minister of Japan, aimed to make Korea into a sub-part of Japan, relying on overwhelming police and military power. In order to cultivate the social conditions for the development of new social relations and the maximum output of Japanese capital, the function of the government-general was to 'organise, mobilise, and exploit Koreans in the interest of the metropole' (Cumings 1981, p. 10). The 'multifunctional police system' (Cumings 1997, p. 152), which controlled every single aspect of Korean society, from factories and schools, from cities to the rural area, became the main instrument of structuring a new society. In addition to the police power playing the multifunction which was able to

²¹ In spite of these cadastral surveys and plans to promote rice production, the landlord class in Korea did not lose their lands. It was partly because the landlord class was, contrary to the farmers, intelligent enough to legally claim their ownership to the land. However, most significantly the colonisation and capitalisation of Korea by the Japanese imperial regime did not touch the traditional landlord class's social domination, especially in rural areas. Rather, the government-general took advantage of the social domination of the landlord class in exploiting the vast majority of Koreans for the interest of Japanese capital accumulation. In turn, the majority of the landlord class appeared to be co-operative with the Japanese colonial state and even attempted to strengthen their social power during the colonial period.

penetrate tiny villages in the rural areas, the government-general had a giant body which had some 246,000 Japanese civil servants by the last decade of the colonial period (Cumings 1997, p. 153). In short, the colonial state, once implanted by the Japanese Imperialist regime, played a significant role in primitive accumulation in Korea. The state was implanted as a capitalist state not in the sense of complementary enforcement of the rule of money and law but in the sense of establishing these forms of capitalist domination in the process of state-implemented primitive accumulation.

Crisis of Japanese capital accumulation and colonial capitalist development

The World War boom during the 1910s led to a rapid expansion of Japanese capital. During the War, the capacity of industrial production in the West was reduced, offering non-competitive markets, especially in Asia, which had depended on Western products. During this boom, Japanese capital enjoyed massive export growth both in heavy industry and the textile industry.²² However, the World War boom left another task for Japanese capitals. Firstly, in order to maintain growth, Japanese capital must maintain the expanded volume of industry, on the one hand, and introduce new methods of production for overcoming the re-emerging competition with Western capital after the War by reducing the cost of production, on the other. Since this boom was driven by quantitative growth relying on extraordinary profitability in the non-competitive market caused by the reduced production capacity of Western competitors and now the

²² In particular, export of cotton cloth marked a 185% increase from 1913 to 1918 (Lockwood 1968, p. 38).

extraordinary conditions were gone, the introduction of new methods of production in the expanded industries, in order to keep the position in intensified competition during the Post-War period, demanded a huge amount of capital investment, which was possible only through massive expansion of credit.

However, by 1919 Japan already faced inflationary symptoms induced by expanded note issues and credit for the expansion of the volume of production during the First World War. During the economic boom, capital accumulation could be sustained by credit expansion, which drove the Japanese World War boom during 1910s. However, while the credit expansion could keep the expansion of production and give individual capitalists the growing optimism of the further accumulation of capital, 'in suspending the barriers to accumulation, the expansion of credit gives free reign to the tendency to the overaccumulation of capital' (Clarke 1988, p. 108). Once overaccumulation of capital appears in the form of overproduction of commodities in a particular branch of production and falling prices of the commodities, there is no way for individual capitalists to keep the volume of production and accumulation except depending on more expansion of credit, competing for availability of credit with each other. Japan began to suffer from financial instability, which was enlarged by the liberal lending policy of the central bank and the state, in the vain attempts to keep up the boom, in the early 1920s. Finally, Japanese capitalist development came up against the barrier of overaccumulation in the form of financial crisis in 1923 and 1927, which culminated in the Great Depression 1930 to 1931, precipitated by the global crisis of 1929. Furthermore, the dramatically increased volume of production during the boom was also accompanied by the emergence of class struggle in the form of social and industrial

conflicts, i.e., a 'massive outbreak of strikes and the widespread formation of assertive labour unions' in Japan in the 1920s (Garon 1987, p. 2), raising issues of workers' rights and re-distribution questions. The reason for this upsurge of the working class movement was that, despite the growth of money income, 'the rising cost of living bore heavily on the urban population' (Lockwood 1968, p. 41).

The financial instability and further development of class struggle engendered a crisis of the early settlement of capital relations in Japan, which underlay absolute surplus value exploitation that drove the boom during the First World War. Most of all, this exploitation based on extending working days and intensified labour seemed no longer to secure further capital accumulation due to the growing power of organised workers following the first Factory Law legislation in 1911. Consequently, Japanese capital sought to overcome this obstacle by introducing new means of production and cheaper subsistence of the working class, thereby increasing relative surplus value exploitation. The attempts of Japanese capital to overcome the crises were reflected also in its colonial capitalisation policies from the 1920s. Japanese colonial policy in Korea during the 1920s and afterwards was focused on cultivating commodity markets for Japanese capital, promoting industrial investment in Korea, particularly by Japanese *zaibatsu*, and promoting production of cheap rice, which could reduce housekeeping expenses of Japanese workers and, therefore, the cost of labour power.

Sustaining the over-expanded volume of production by means of credit expansion, Japanese capital firstly sought to solve the problem of the limited market through integrating the colonies into capitalist commodity production, which meant a more

expanded market for the goods produced by Japanese capital. Facing the influx of commodities, which were produced or traded by Japanese capital, petty commodity production in Korea was liquidated rapidly through the 1910s and 1920s. In order to force Korean households to use the commodities, the Japanese colonial government confiscated the means of production for self-sufficiency (Ihn 1946, p. 53, quoted in Y. H. Kim 1983, p. 85). As the self-production of subsistence in the household was discouraged and often prohibited and money-based taxes were introduced, households now had to rely on exchanges in the market through money in order to sustain their lives and pay taxes. On the other hand, as we saw above, as the colonial government pushed the increase in rice export to Japan as a main colonial policy, farming products were also increasingly commodified. While petty farmers sold their surplus products in order to buy other necessities, the massive amount of rice that landlords took from tenant farmers as rents was wholly commodified. As a result, 70% of rice products were for sale in 1937, showing the significant commodification of the farming industry (Kim, Y. H. 1983, p. 87).

While Japan suffered from increasing labour costs and financial instability, investment of Japanese capital in Korea also began to accelerate. Between 1920 and 1929, capital investment in industry in Korea increased more than three times. In particular, in the attempts to make Korea into a military supply base for the invasion of China, capital investment in heavy industry rose rapidly. After the popular uprising against the imperial regime in 1919, the Japanese colonial regime sought to make Korea 'gradually' into a part of Japan by encouraging a certain degree of capitalist development, which resembled the Japanese development strategy, and permitting and

even selectively supporting the establishment of Korean firms.²³ Afterwards, 'Korea was to play a part in the plan linking the metropole with hinterland economies' (Cumings 1997, p. 163). What the government-general did to achieve this was to implant a Japanese-like institutional economic foundation, which consisted of state-owned banks such as the Bank of Joseon and the Korean Industrial Bank, which offered massive loans to firms in the line of the state's economic development policy, particularly state-owned companies such as the Oriental Development Company. Corresponding to the increasing demands for the invasion of China, capital investment and industrialisation further developed, through this tripartite system which consisted of state bureaucrats, state-owned banks and private capital, to a significant extent from the mid 1930s, locating the means of production for heavy industries in the northern Korean peninsula and Manchuria and mobilising labour power for production, which caused

²³ A mass demonstration on the 1st March 1919, led mainly by liberal nationalists, demanded withdrawal of the Japanese army and the immediate independence of Korea. However, this March 1st movement did not achieve its aim. Facing the superior military force of the Japanese army, the principle of peaceful demonstration resulted only in a massacre in which over 7,000 Koreans were killed and 45,000 were arrested. This movement was a turning point both for Japanese colonial policy and the Korean independence movement. Firstly, the communist and socialist independent movement separated themselves from the nationalist movement, criticising the nationalist leaders who initiated the movement but later attempted to calm down a further development of struggles. After this event, those left movement groups concentrated on developing their own organisation and succeeded in establishing the Joseon Communist Party in 1925, that however failed to integrate some communist groups, such as Korea Communist League, into the party. In the 1920s, the Joseon Communist Party appeared to have significant influence over workers' and peasants' organisations, such as the Joseon General Federation of Labour. Although the Party itself was soon paralysed by the Japanese police, by the end of the 1920s communists 'were leading the Korean resistance movement' (Cumings 1997, p. 159).

swift urbanisation in those areas. 'With minimal business taxes' and most of all cheap labour and the government-general's unlimited support for labour control, Japanese zaibatsu such as Mitsui, Nissan and Sumitomo had 75 percent of total capital investment by 1940 (Cumings 1997, p. 168). Meanwhile, the embryonic form of the Korean capitalist class also emerged from the traditional landlord class, supported by credit from the state-owned Korean Industrial Bank.

The brutality of colonial development and the development of class struggle

The immediate consequence of the planned primitive accumulation and colonial industrialisation was a significant increase in the number of the wage labourers, firstly in trade, transportation and construction sectors in accordance with colonial policy in the 1910s, and later in heavy industries such as metal, chemicals and electricity in the 1930s, when Japan sought to make the Korean peninsula a military supply base. The number of workers employed in industry increased from 384,951 in 1932 to 1,321,713 in 1943 (Cumings 1997, p. 170). The total number of the working class in late 1944 was reported as over two million (FKTU 1979, p. 224).

This massive increase of the working class was accompanied by a specific development of the method of organising labour power, creating a specific trajectory of the development of the social relations of capitalist production in Korea. Although labour power was organised for capital accumulation, individual workers were hardly 'free labourers' but personally bound to the capitalist by vulgar violence of the capitalist at the work place and semi-feudalistic labour contracts, which had no guarantee of wage, maximum labour hours, and of the duration of employment. It was not difficult to see

contracts that forced workers to pay a deposit for the job and to get permission from the employer to quit the job. These two forms of labour control featured the colonial formation of the social relations of capitalist production as the coercive subordination of individual workers to capitalists. Under this form of labour control, Korean workers suffered from excessive working hours, usually over 12 hours a day, and extremely low wages, the average of which was less than half of that of Japanese workers in Korea (FKTU 1979, p. 37). This form of labour control, which sought to subordinate individual workers, who had been by and large peasants, to capitalist production naturally caused class struggle, often in the form of revolt against Japanese managers. In the early industrialisation, the primary form of class struggle was, however, to escape from the workplace in the attempt simply to avoid the unbearable working conditions.

In addition to the coercive control of labour by individual capitalists, what should be pointed out with regard to the method of subordination of workers to capital is the state's control of workers' collective actions. The fact that the workers escaping from their workplace were often captured and sent back by the police (KFTU 1979, p. 237) shows us the relation between the state and individual capital and the form of the colonial state. There was virtually no collective action that did not cause intervention of the colonial state, primarily in the form of direct intervention relying on police and military power. Facing grass-roots development of an organised labour movement and trade unionism in Korea from the 1920s, the state intervened in the everyday activity of trade unions as well as their strike actions. Annual or monthly meetings and lectures of trade unions could be held with police inspections and permission. Firms that had strong trade unions had branches of police stations in the firms. Trade unions' claims in strike

action were to be firstly checked by police. In Pyunyang, which was one of the most industrialised cities in Korea in the 1930s, the police department asked individual capitalists to immediately inform them if they employed or dismissed workers, increased or decreased the wage, changed the facilities for workers and noticed any kind of signs of collective action of workers (Kim, G. I. 1992, p. 484). In Jinju, Busan, Ulsan, the state sought to hinder the establishment of trade unions and break existing trade unions by force, after trade unions began to emerge seriously in the 1930s (Kim, G. I. 1992, p. 482). Otherwise, as we can see in Jeonbuk province, police organised quasi-workers' organisations, so-called security unions (*Boanjohap*), which usually played the role of breaking unions, and exercised violent measures against union members under the auspices of the police department (Kim, G. I. 1992, p. 483).

In spite of a firm control of labour by the state, workers' attempts to organise continued. A grass-roots form of nation-wide workers' organisation, the Korean Labourers' Mutual Aid Association (KLMAA), was established in 1920. The Joseon General Federation of Labour, established in 1924, was the first organisation which emphasised, in public, the class interest of workers against capitalists and the Japanese Imperialist regime. This federation developed into two separate organisations later in 1927: The Joseon General Federation of Labour and Korean Farmers' Union. In the early formation of the organised workers' movement, labour conflicts arouse mainly at the enterprise level. However, in some specific sectors and industrial areas in which Japanese capital was intensely invested, the regional and industrial level of struggle also developed throughout the 1920s, such as the Busan Dockers' Strike in 1921 and the Yung-Hueng Workers' General Strike in 1928, which lasted for several months with

anti-capitalist and anti-Japanese slogans. This development of struggle from the early 1920s culminated in the Won-San General Strike. The Won-San General Strike in 1929 was the largest general strike in the history of the Korean labour movement under Japanese occupation, even though it was limited regionally. This strike lasted for four months, raising national issues in the organised workers' struggle and inspiring the anti-Japanese movement.

In the meantime, in rural areas, tenancy disputes between peasant and landlord increased. Based on the privileges through which landed property remained as the source of social and political power, during the 1920s, landlords kept increasing rents and expanding their land by taking over the land of half-tenant farmers, who could not manage to pay for their tenancy. Living condition of the peasant class, who got their living from small tenant lands and suffered from the double burden of the forced sale of their rice products to the colonial state and increasing rents, swiftly deteriorated. In 1930, half of the farming households were starving (Moon and Song 2000, p. 146). Many peasants, who were the vast majority of the Korean population, chose to leave their hometowns to become wage labourers in urban areas or coal fields and immigrate to Manchuria, Japan and the northern part of the Korean peninsula. However the peasant class also often challenged this semi-feudalistic social domination through tenancy conflicts. In many provinces, radical organisation of farmers emerged and developed throughout the 1930s.

Those workers' and peasants' movements were supported by the independence movement, which was led by two groups that were often antagonistic with each other:

the communists and liberal nationalists. Communist independence movement groups established the Joseon Communist Party in 1925, which influenced labour and peasant organisations and played a critical role in organising a nation-wide anti-Japanese demonstration on 10th of June 1926. After the breaking-up of the Joseon Communist Party by Japanese police in 1930, communist groups went underground and contributed to radicalising workers' and peasants' movement through organising 'red-circles' in factories and regions, in attempting to re-establish the Communist Party. On the other hand, communists in exile in Manchuria and Russia established their own communist parties, joined the Chinese revolution or led armed struggles in Manchuria.²⁴ Liberal nationalists and some mid-left wing nationalists set up a provisional government (*Daehanminguk Imsijeongbu*: 1919-1944) at Shanghai in 1919, resisting the Japanese colonial authority in China and Manchuria through 'bomb-throwing exercise' (Suh 1967, p. 132, quote from Cumings 1997, p. 159) and supporting the independence movement in the Korean peninsular. Inside Korea, 'Singanhoe' (1927-1931), a nationalist movement organisation, which included liberal nationalist as well as some communists groups, was established and appeared to be the most influential nationalist organisation with 138 branches and over 30,000 members across the nation, supporting 'studies of Korean language' and 'more freedom of expression' (Cumings 1997, p. 156).

The anti-workers policies and forced mobilisation of the labour force was strengthened when Japan went into war against China and subsequently the U.S. During

²⁴ Kim Il-sung, the ruler of North Korea after liberation was one of the leaders in the armed struggle in Manchuria.

the war, the colonial state sought to integrate Koreans into the Japanese War mobilisation by means of various forms of national movement based on the '*naisen ittai policy*', encouraging nationalism based on the idea that Japanese and Korean are 'one-body' (*ilche*) and organising '3,245 youth organisations at all levels, with a total membership of 2.5 million' (Cumings 1997, p. 177). On the other hand, the colonial state became more suppressive toward any form of organised workers' and peasants' movement, increasing the number of police, that reached over 35,000 in 1942, which was 50% more than in 1932, and creating the Korean Anti-Communist Association which 'had branches in every province, local offices in police stations and associated groups in villages, factories, and other workplaces' (Cumings 1997, p. 177). In order to supply labour power, the government-general declared the National General Mobilisation Law in 1938 that forced Koreans to work in factories and construction sites in Manchuria, Northern Korea and Japan, creating millions of emigrant workers.²⁵ All anti-Japanese movements had to go underground from the late 1930s, since the colonial state introduced emergency measures for the war. Workers' and peasants' struggles often appeared to threaten the colonial state and colonial development. However, what withered the colonial state away was not the people's struggle but the

²⁵ While trade unions and other organised form of workers' struggle were practically prevented and suffered from a heavy-handed intervention of the colonial state, the natural form of resistance kept occurring by the 1940s noticeably in the form of widespread absenteeism. After the state began to mobilise workers into factory and construction sites by force according to the National General Mobilisation Law, which was legislated for the invasion of the continent, the rate of absenteeism reached 20% in manufacturing and 25% in the mining industry in 1942 (FKTU 1979, p. 236).

Japanese defeat in the Second World War. This would open another phase of the development of the state in Korea, which would again not be under the control of Korean people.

The Japanese colonisation and its legacy in the further development of social relations in Korea

Japanese colonisation initiated capitalist development in Korea by accelerating the separation of means of production and subsistence from farmers, turning traditional land-ownership into capitalist private property rights and commodifying the products of labour and labour power. However, while the colonisation largely brought capitalist development in general, it took a specific form, due to its colonial features and immaturity, the consequence of which offered the basis for the further specific development of capitalism in Korea. First of all, the limits of the early formation of capitalist social relations throughout the primitive accumulation are to be considered. Although the separation of producers from the means of production and subsistence was significantly achieved, the integration of the mass of the population into capitalist wage-relations was very limited. By the end of colonisation, the vast majority of people still remained in rural areas, not as agricultural wage-workers but merely as surplus population, who were getting their living from cultivating small tenant lands owned by landlords. Although the majority of the products from the land owned by landlords were for sale as commodities, the relations between land-owners and direct producers were not wage-relations, while wage labour existed, as a secondary source of income, merely in the form of seasonal jobs in agricultural, construction and mining sectors, especially

during the winter (Paik 1987, pp. 75-6). Also, as we saw above, those who left rural areas and became industrial workers in manufacturing sectors were not free labour, in the sense that they had free contracts with their employers by their will. On the contrary, many wage-workers were mobilised and allocated by the colonial state and state agents, often with feudal-like labour contracts and surveillance. Also, the majority of wage-workers were employed in handicraft-based industry while large-scale industry developed only in a few specific sectors run by Japanese capital. This shows another aspect of colonial development, that is to say, immature development of Korean capital and the capitalist class. Although a significant amount of capital was invested in Korea and means of production located in Korea, there was little accumulation of 'Korean' capital during the colonial period. The Japanese colonial regime barely allowed the landed class to become industrial capitalists, discouraging the establishment of Korean firms and securing profit from landed property much higher than industrial investment and, therefore, making industrial investment less attractive for Korean landlords (Suh 1991, p. 61). Although some Korean capitals could survive by collaborating with the government-general's industrialisation policy for military demands, the fact that '91% of the total capital reported by factories was owned by Japanese' in 1939 (Ho 1984, p. 374) shows the weakness and immaturity of Korean capital and the capitalist class. Furthermore, small and medium size Korean firms were forcibly closed after the government general's Readjustment of Company Act (*Kieopjeongbiryung*) in 1940. Therefore, in spite of the initiation of the capitalist development of Korea, the reality of the Korean capitalist class was far from a dominant social power in Korean society in the first half of the 20th century.

The pre-capitalist feature of colonial development appeared also in the development of the colonial state itself. By 1945, Japanese colonisation had *initiated* the separation of political domination from economic domination since the direct relations between economic and political domination, the immediacy of which was incarnated in the yangban landlord class, were largely weakened by the establishment of the colonial state in which 'career bureaucrats took over official functions' and replaced landlord bureaucrats (Kohli 1994, p. 1277). In addition, the traditional ownership of land had been replaced with capitalist property ownership. However, on the other hand, the colonial state did not remove the social power of the landlord class because the colonial state attempted to control the Korean agrarian sectors, and thereby the majority of the Korean population 'by involving the land-owning classes as ruling partner' (Kohli 1994, p. 1277). Instead, the state secured their land-ownership, albeit with the disappearance of the traditional basis of land ownership, by force and, moreover, incorporated them into local governance and let them play a significant role in maintaining control over rural villages (Kohli 1994, p. 1277). Therefore, the significant social power of the landlord class often nullified the separation of political from economic domination and allowed the landlord class to exercise unilateral power in ruling rural villages as well as tenant farmers.

Hence, although it is true that the colonial state actually dominated the process of primitive accumulation, it does not simply mean that the colonial developmental state 'stood above the society' (Cumings 1984, p. 487) or individual capitals were subordinated to the 'overdeveloped' state. Rather, the colonial state existed as a moment of colonial development of capitalist social relations, in which the boundaries between

political and economic domination was not yet defined, i.e., *the boundaries between the political state and civil society were not yet clearly defined*. During colonial primitive accumulation, the colonial state was directly subordinated to the interest of Japanese capital. The economic power of Japanese capital was equated with the political power of the colonial state. On the other hand, the landlord class, although it could not dominate the state apparatus directly, still remained the dominant power economically as well as politically in a large area, since landed property was still a major source of social domination over the vast majority of the population. In consequence, there was no such mystification of the way in which social relations took the form of the political state.²⁶

Therefore, the Japanese legacy in the further development of Korean capitalism lies not in the fact that, as many argued, colonisation built up a well-organised body of state apparatus. Rather, the legacy comes from the feature of colonial primitive accumulation which brought a specifically unbalanced development of capitalist social relations. Massive proletarianisation coexisted with limited creation of wage labour. Capital accumulation did not accompany the development of the social domination of a Korean

²⁶ Therefore, albeit the phenomenal similarity between the developmental state in the 60s and 1970s and the colonial state in terms of the state's control over money through state-owned banks and labour through direct intervention, it is important to bear in mind that there is a clear discontinuity between the colonial state and the so-called developmental form of the state, particularly in terms of the way in which the dominant social class took a political form. This distinction between two forms of the state was often ignored by the statist arguments, due to their one-dimensional arguments about the relations between business and the state. In this sense, as we will see later, the state during the 1950s was closer to the colonial state, rather than to the so-called developmental state in the 1960s and 1970s.

capitalist class. Capitalist property relations were mingled with land ownership of a pre-capitalist landlord class. The strong state apparatus developed without clear distinction from civil society. All together, the feature and limits of primitive accumulation led to particular social conditions and class composition from which particularly articulated early capital relations could emerge after the liberation. While Korean capitalists lacked social domination, the means of production which had been owned by Japanese capital were handed over to the state after liberation, allowing the state to create a capitalist class through the sale of state-vested property, including land and means of production. Furthermore, colonial development, in which the dominant classes, noticeably Japanese capitalists and landlords as well as Korean landlords, took the form of vulgar domination through the undifferentiated relations with the colonial political power, contributed to radically politicised class struggle from dominated classes, such as peasant and workers, which threatened the reproduction of social relations after liberation. Such a development, after liberation, caused state intervention in the relations between capital and labour as well as landlord and peasants. The challenge from workers created the manner in which the state intervened in labour disputes at the workplace level by anti-workers legislation, pro-capitalist unions and direct forces while the peasant struggles later brought the swift demise of the landlord class by forcing the state to implement land reform. Without doubt, these social consequences of colonial development, together with the development of the state apparatus itself, affected the early formation of capitalist social relations. However, this does not mean that the realisation of colonial legacies into the particular development of capitalist social relations was necessary. This development needed the more specific historical

development of capitalism in Korea, mainly through the further development of class struggles after liberation.

2. The Early Form of the Korean Capitalist State

Liberation and the crisis of reproduction of capitalist social relations

The liberation from Japan produced not only national independence but also a serious crisis of the further development of capitalist production in the aftermath of the liberation. Firstly, the crisis was caused by the withdrawal of Japanese capital, which was over 90% of total paid-up capital in Korea during the Japanese colonial period. Although the means of production were abandoned and remained in Korea after liberation, only a few of them could keep producing because the withdrawal of Japanese capital meant the absence of a provider for materials, skilled-workers and parts for machinery. In addition to these problems, there was also a massive movement of the working population from the workplaces to their hometowns, since the large portion of the workers in industrial sites had been employed and organised by force by the colonial regime. Also, the division between south and north Korea contributed to the crisis by creating a lack of labour power in the north and a lack of raw material in the south. As a result of all this, only half of the manufacturing firms could survive in the south in 1946, employing little more than 110,000 workers which was also merely half of those in 1943, and producing only a quarter of the industrial products in 1943 (Kim, H. G. 1988, p. 154; Cho and Lee 1995, pp. 170-1). The effect of liberation was serious not only for the amount of production but also for the form of industry. Facing the lack of capital,

skilled workers and raw materials, large-scale industry stopped performing and national industry by and large fell back into manufacture and domestic handicraft industry (Kim, H. G. 1988, p. 155).

Further capitalist development was threatened also by organised labour and peasant movements which emerged swiftly after liberation. Together with the strong influence of left-wing political groups, which effectively organised the 'Committee for the Preparation of Korean Independence' soon after the liberation in August 1945 and declared the 'People's Republic of Korea' in September 1945, workers and peasants attempted to put the previously Japanese-owned factories and land under their control. This workers' control movement later became one of the principle strategies of the Korean National Council of Trade Unions (*Jeonpyeong*), established in 1945 with 16 industrial unions and approximately 500,000 members.

The U.S. occupation and the defeat of the workers' movement

The U.S. military government played the most significant role in overcoming the crisis after liberation. Immediately after a provisional U.S. military government was established in Korea in September 1945, the military government initiated the reconstruction of capitalist social relations through establishing the Korean government and reformulating the capitalist class by suppressing the labour movement and redistributing state-vested property. The state bureaucracy was filled up with 'collaborators' who had experience in bureaucratic bodies under the colonial regime or landlords and landlord-entrepreneurs, who together organised the Korean Democratic Party since 'American occupation authorities usually required that Koreans have

experience in the colonial apparatus before employing them' (Cumings 1984, p. 479). This continuity between the colonial state and the new Korean state, pursued by the U.S military government, appeared also in the establishment of the Korean army and police force. Most of the high-ranking positions in the police department were occupied by those who had served in the colonial police force (Cumings 1997, pp. 200-1). The Korean army was also organised in the same way.

Even after the establishment of the first Korean government, it was the U.S. that enabled the Korean state to continue to play its significant role in the formation of capital relations by supplying the resources and forces. Contrary to the U.S. occupation policies in Japan and Germany, which initially encouraged the trade union movement and thereby regulated individual capitals which had collaborated with the Fascist regimes, the U.S. seems to have conceived, facing the increasing tension between the U.S. and Soviet Union around the Korean peninsula, the existence of strong socialist influence as the most critical obstacle for the establishment of an anti-communist regime in South Korea and, furthermore, for the reconstruction of global capitalist development under the U.S. hegemony. Hence, the U.S. authorities more directly attempted to break down the radical labour movement by illegalising unions' strike activity in December 1945 and later the Jeonpyeong itself. On the other hand, the U.S. military also put all private property having been owned by Japanese capital under the direct control of the U.S. authorities as state-owned property, thereby confronting the workers' control movement. Although the labour movement attempted to organise several nation-wide general strikes in order to fight back against the U.S. military government, including the September Strike in 1946, February 7th Strike and May 8th

Strike in 1948, the radical labour movement could not cope with the overwhelming military force of the U.S. authority. By the end of the 1940s, the right wing pro-capitalist trade union federation, the Korean Labour Federation for Independence Promotion (KLFIP), overpowered the communist-led trade union movement, in spite of a lack of support from the shop-floor. In the meantime, the U.S. military government, which had run the factories by appointing U.S. Army officers as managers since early 1946, began to hand over managerial authority to Korean managers. Those Korean managers, who had worked mainly for Japanese capital as sub-managers and skilled workers, or had run small businesses during the colonial period, were also given priority in purchasing the state-vested properties, the sale of which began from March 1947. This was the starting point of the process that 'the state power artificially formed capital as the subject of enterprise management at the enterprise level' (Kim, H. G. 1985, p. 55).

Backed by the U.S. military government, the liberal political groups, which had been overwhelmed by the left-wing political groups in the aftermath of liberation, could now overshadow the socialist influence by the late 1940s, dominating the bureaucratic body of the provisional government. In spite of conflict between the landlord class's Korean Democratic Party and liberal nationalists, such as Rhee Syng-man, an alliance between those two political groups against the communist movement became a major political influence that dominated the state apparatus and parliament. Most of all, both of them shared an interest in tackling the emergence of the communist movement, including the People's Republic (*Inmingonghwaguk*) and the Korean National Council of Trade Unions (*Jeonpyeong*), which threatened both the social domination of the landlord class and the reproduction of capitalist order in Korea. Although the Korean Democratic

Party, the favourite political partner of the U.S. authority, failed to achieve a majority by itself, the first general election in 1948 was largely a triumph of anti-communist and pro-American political groups, including that of Rhee Syng-man, the first President of the Republic of Korea. Those liberal nationalists fully succeeded in excluding any form of political opponents against the reproduction of capitalist social relations in South Korea. The political domination of liberals was completed also by weakening the political power of both the middle left-wing and middle right-wing nationalist groups, the leaders of which, such as Kim Gu and Yo Un-Hyung, who claimed that independence and the unification of both Koreas were superior to capitalist reproduction, were murdered.

The crisis of capitalist development, which was caused by the end of colonial rule, seemed to be overcome by the defeat of the workers' and peasants' movement by the U.S. military force and state-led reformulation of capitalist social relations. However, in fact, the Korean peninsula was still in turmoil. Even when the Republic of Korea was constitutionally established in 1948, political struggles that denied the legitimacy of the republic persisted, in the form of armed revolts and partisan struggles in southern provinces, killing more than 100,000 people even before the war. This shows the incompleteness of the social basis for the reproduction of capitalist social relations in South Korea. Putting capitalist development on the right track needed a more complete recomposition of the classes, which would be achieved by a more disastrous process, the civil war.

The Korean War, reconstruction of capitalist social relations and the state

The Korean War was a distorted class war between Stalinist North Korea, which argued that the war was for the emancipation of South Korean workers, and South Korea, which argued that the war was a holy war for democracy against totalitarian communism. However, it is hardly true that the war was a holy war either for democracy or for the emancipation of workers, having seen what those two Korean states did during the war. The clearest result of that was a total decomposition of the working class in both Koreas. The workers' and peasants' movements were completely destroyed during and as a result of the war, which also created an extreme anti-communism in South Korea that was later utilised by the state as a primary method to brutally suppress the collective power of the working class, and thereby to subordinate the working class to capital. On the other hand, the state apparatus developed through the three-year war, both in terms of size and strength. Indeed, the legitimacy of the state, which had been questioned in the aftermath of liberation, now appeared to be fully recognised through the war against the 'communist threat to freedom'.²⁷

²⁷ The legitimacy of the state formed throughout the war was based firmly on brutal violence. In both Koreas, to recognise the state legitimacy or not was the question of survival during the war. People should express by all means their willingness to collaborate with the 'existing' authority when the North and South Korean army in turn occupied their villages. Otherwise, they are recognised not as civilians but as enemies to be removed through massacres. This process incarnated the brutal nature of the relations between people and the state force. (see Kim, D. C. 2000). This war became the moment that created the long-lasting method of reproducing the subordination of labour to the state authority as well as to capital.

During and in the aftermath of the war, the landlord class also declined swiftly. Already in the aftermath of the liberation, the social power of the landlord class had been significantly challenged by the radicalised peasant movement, criticising the collaborating characteristic of the landlord class during the colonial period. Now, facing the struggles of the peasant class, who made up over 80% of the population, and a revolutionary land reform in North Korea that inspired peasants in the South, a land reform appeared to be necessary in South Korea as well. Although land reform was designed, through parliaments still occupied largely by the landlord class, to give the landlord class a certain priority in purchasing state-vested means of production that Japanese capital had left, the result turned out rather disastrous for the landlord class (Suh 1991, pp. 65-7). Firstly, it caused a decline of the vast majority of landlords who owned so little land that they could not purchase the means of production with the compensation from the state. Secondly, the value of the bond that the government issued for compensation was initially a lot cheaper than the market price of land and later even massively decreased due to inflation during and in the aftermath of the war. In addition, the political alliance between liberal nationalists and the landlord class was largely weakened since the liberal nationalists gained their own political power by establishing Rhee Syng-man's Liberal Party, whereas many landlords lost their economic resources through the devastating civil war. As a result, a relatively revolutionary land reform was implemented during the war, causing a significant change in class composition in South Korea by removing the traditional social dominance of the landlord class. Instead, it created a significant semi-proletarianised rural population, which owned small-sized farms for their own living.

During the post-war period, economic development was obviously based on foreign aid from the U.S., which reached more than \$4 billion, including economic and military aid, and financed more than 70% of imports throughout the 1950s (Koo and E. M. Kim 1992, p. 123; Haggard 1990, p. 55). The tremendous foreign aid given to South Korea reflected the U.S.'s attempts to resume capitalist development in Korean. The priority was given to sustaining overwhelming military power in the Korean peninsula and removing the immediate causes of social instability, in order to stop communist expansion in Asia at the beginning of the Cold War. Contrary to the U.S. policy that emphasised the supply of consumer goods and stabilisation on the basis of 'sound fiscal and monetary policies', Rhee Syng-man's government attempted to invest into capital goods in order to launch a more aggressive import substituting industrialisation. However, despite the ambition of the Korean government, foreign aid focusing on supplying consumer goods looked inevitable.²⁸ The state expenditure, especially in expanded military expenses for over 600,000 armed forces, relied heavily on the 'counter fund', which was financed by the sale of aid-based imported goods in the domestic markets, under the control of the Combined Economic Board created by the Agreement between the Republic of Korea Government and the Unified Command

²⁸ This does not mean that Rhee Syng-man government had a clear development policy. Rather, policies were concentrated merely on maximising the foreign aid through an overvalued exchange rate and securing economic success of the Liberal party supporters through privileged access to cheap U.S. dollars and aid materials (Koo and E. M. Kim 1992, p. 124). Although the Rhee Syng-man government announced a comprehensive plan for economic restoration and established the Ministry of Reconstruction in 1955 and Economic Development Council in 1958, no major development plan was actually implemented.

Concerning Economic Coordination. Therefore, it seemed more or less inevitable, with the given amount of aid, that the state allocated the financial resources to the import of consumption and some intermediate goods, domestic demand for which could be sustained steadily, therefore securing the source of state expenditure, rather than capital goods. As a result, the majority of foreign aid was allocated to imports of consumer goods and intermediate goods that did not require much additional processing within the country (Kim, K. S. and J. K. Kim 1997, p. 14).

During this period, capital accumulation in Korea depended on the development of domestic firms that could 'purchase raw materials supplied as a part of the U.S. aid program at an overvalued official exchange rate' and succeeded in realising the produced value in non-competitive domestic markets (Haggard 1990, p. 57). Reflecting raw materials given by foreign aid, capital accumulated merely in the light industries such as sugar manufacturing, the milling and cotton industries. In order to secure exclusive allocation of raw materials and loans, it was necessary for the capitalists to attract Rhee Syng-man's government, which exclusively controlled aid and imported grains, by providing kickbacks to the Liberal Party (Haggard 1990, p. 57). Those domestic firms, which had mutually beneficial relations with the state, also had an opportunity to purchase means of production and land owned by the state at extremely low prices. Many Korean *chaebols* laid the basis for accumulation in this period. Hyundai, Samsung, the largest individual capitals in Korea, could begin accumulation by purchasing means of production and real-estate from the state while LG and others *chaebols* could laid the foundations through acquiring a certain portion of the foreign aid from the state.

In both allocating raw materials provided by the U.S. aid and redistributing the state-vested means of production and other properties, the state could formulate the capitalist class. However, accumulation based on the foreign aid and its distribution by the state to a few domestic firms that financed Rhee Syng-man's Liberal party could no longer be sustained by the end of the 1950s. Since capital investment was concentrated intensively on some specific commodity production which could be produced with the raw materials from the U.S., the domestic market could no longer absorb the commodities and, therefore, a massive shut-down of operations in those industries appeared inevitable (Park 1999, p. 136). Also, the U.S. began to decrease foreign aid to Korea, imposing increasing pressure on the Rhee Syng-man government that took advantage of anti-Japanese sentiment in sustaining its legitimacy and thereby did not satisfy the U.S. policy pursuing more effective regulation of capital accumulation in Asia under U.S. hegemony by establishing normalised relations between Japan and other Asian economies. This made it hard for the individual capitals to find resources in order to open up new industries. With increasing difficulty in making profit out of industrial investment, a large portion of surplus value from the capitalist production was invested in speculation, which worsened the conditions for capital accumulation, precipitating inflation. Individual capitals attempted to overcome this depression at the expense of the working class by intensifying labour and extending working hours, causing the worsening of income distribution and mass unemployment. Growing poverty and inequality also raised questions about the relations between a few individual capitals and government, in the form of mass struggles against corrupt relations between them. The Liberal Party responded to the struggles with vulgar force

and benign political rhetoric, merely inspiring people further to demand more democracy. By the end of the 1950s, the regime could not be legitimated either by economic achievements, which can integrate labour into capitalist accumulation by raising living standards in spite of exploitation, or by mere formal democratic reforms, which were postponed by the government with the excuse of the confrontation with the communist North Korea. The state, which led the reconstruction of capitalist social relations, now became the target of people's struggle. Eventually, the student movement, which struggled for formal democratic reforms against the corrupt government, ended the regime in 1960.

The development of class struggle

The working class's movement established an alternative labour federation, the National Council of Trade Unions, which confronted the KLFIP's pro-capitalist character, in 1959. The establishment of the NCTU resulted from the struggle that showed the existing labour federation was nothing but a state apparatus, which guaranteed the subordination of the working class to capital by sheer force. Although the working class suffered from low wages, extremely long working days and capitalist violence, the working class movement could not re-emerge in any form during the 1950s. It could be understood in terms of the total decomposition of the working class through the war. The trade union leadership of the KLFIP played an important role as an institutional basis to confine the working class struggle to the individual or at best workplace level, enjoying their privileged positions economically and politically. Therefore, although there were an increasing number of conflicts at shop floor level

throughout the 50s, there were few significant struggles organised by trade unions. However, this does not mean that workers did not attempt to overcome the suppressive labour control by the state and capitalists, on the one hand, and by the pro-capitalist trade unions, on the other. The struggles in the 1950s were focused mainly on wages, especially back wage problems and mass dismissal. Despite the pro-capitalist leadership of the labour movement, some struggles succeeded in forcing the trade unions to confront the capitalists and the state and showed the possibility of the revitalisation of the working class movement. The workers' struggle in Joseon Textile Company in Busan during the war is one of the cases. The struggle succeeded in provoking the issues of working conditions and workers' rights, developing workers' struggle in a firm, which demanded the resolution of the back wage problem, the freedom of union activity and stopping dismissals, into nationwide social and political issues. Workers' struggles continued for a few months. This struggle forced the pro-capitalist federation of trade unions to confront the state and capitalists, making the National Assembly investigate the struggle and later enact laws regarding labour relations, such as the Labour Union Law, Labour Standard Law, Labour Committee Law and Labour Dispute Regulation Law (Kim, N. J. 1982, p.172). In the late 1950s, the KLFIP's legitimacy as a representative of the working class movement was again seriously undermined by the struggle in the Daehan Textile Company in Taegu, which clearly revealed the pro-capitalist character of the federation and was followed by the establishment of an alternative union federation, the NCTU, which included 311 trade unions and 140,000 members (CKTU 1997, p. 6). The struggle in Daehan Textile Company indicated a new form of trade union movement, called 'democratic trade union movement' (*Minjunjojo*

Undong), in denying the leadership of the pro-capitalist trade union leaders and the federation in the process of struggles. During the struggle, rank and file workers distrusted and changed the president and executive of the union, who attempted to compromise with the state and capitalist according to the policy of the KLFIP, playing an important role to set a basis for the anti-KLFIP trade union movement (Kim 1982, p. 207). However, although the early form of a democratic trade union movement had emerged, it was clear that the working class movement as a whole remained undeveloped. Workers attempted to solve labour disputes through making a plea to the state for generous state intervention and turning the issues of exploitation into issues of morality and humanity. Also, the working class movement was unable to organise themselves at national or industrial level in order to change the brutal nature of the reproduction of early capital relations.

The early politicised formation of capitalist social relations and its limits

Although capitalist development was very limited, owing to poor capital accumulation and industrialisation, the consequence of the development of capitalist social relations in the 1950s appeared to be significant for further capitalist development in Korea. The development in the 1950s, after the civil war, began with a specific class composition in which the working class was decomposed, capitalists undeveloped and the landlord class declined swiftly. In the aftermath of the war, it was the state that could lead a further capitalist development through exercising a well-organised bureaucratic body and centralised power with overwhelming military and police force, on the one hand, and its absolute authority to allocate foreign aid and distribute state-

vested property, on the other. In the meantime, the newly emerging capitalist class had to rely on and take advantage of the state, because the source of capital investment and initial accumulation depended on attracting the state, which controlled and allocated foreign aid and loans as well as state-vested means of production. Throughout the 1950s, the state artificially created the capitalist class, suppressed the re-emergence of the collective power of the working class and gradually undermined the social power of the landlord class through land reform. In short, the capitalist development of the 1950s showed the beginning of the politicised formulation and reproduction of capital relations, in which the state regulates the collective power of labour as well as individual capitals.

However, even if the 1950s founded a particular form of capitalist development, it is also important to understand the limits of the capitalist development in the 1950s. Capitalist industrialisation was so limited that, in spite of massive proletarianisation of the population, only a minority of the population was employed as wage workers and the majority of the population remained 'proletarianised rural poor'. On the other hand, the traditional immediacy, incarnated in the existence of the landlord class, between economic and political domination significantly disappeared throughout the 1950s. However, political and economic domination were, in fact, not clearly distinguishable since the immediacy between political and economic domination largely remained in the form of direct and personal relations between the state and newly emerging capitalist class. In other words, the traditional immediacy between political and economic domination in the form of traditional social domination of the landlord class was merely replaced by the immediate alliance between the state and individual

capitalists. In fact, most of the state-vested means of production was allocated to the supporters and members of the Rhee Syng-man's Liberal Party. Indeed, the ruling party invested directly in private projects receiving U.S. aid (Haggard 1990, p. 57). Even if the state became the sole and holy protector of people from brutal communist threat through the war, the way in which capitalist social domination took the form of the political apparatus was not yet mystified at all. This immediate relation between the political and economic finally provoked the crisis of the state in 1960.

Although the state had largely been successful in suppressing the emergence of the collective power of labour through control over the pro-capitalist federation and by police force, the working class movement re-emerged from the workplaces in the early form of democratic trade union movement. Those struggles against the pro-capitalist KLFIP culminated in the attempt to organise an alternative union federation, i.e., the NCTU in 1959. Nevertheless, the working class movement still remained marginal and could not seriously undermine capitalist domination. Rather, it was the student movement that questioned the nature of the early development of capitalist social domination and finally overthrew the Rhee Syng-man regime in 1960. However, the student movement seems not to have questioned capitalist development itself. It was the form of manifestation of capitalist social dominance that was questioned by the student movement. In other words, the antagonistic nature of capitalist development was recognised merely in the form of corruption, the immediate relations between capitalists and the state. The fact that, throughout the April Struggle in 1960, the essential nature of antagonistic social relations behind the specific form of manifestation was not questioned at all shows the limits of the early development of class struggles. As a

result, the crisis of the reproduction of the social relations of capitalist production provoked by the student movement in 1960 merely appeared and ended in the form of a political crisis of a regime. The crisis became another beginning of the reconstruction and stabilisation of the social relations by the military government, which came into power by military coup in 1961.

Concluding Remark

The early formation of capitalist social relations in Korea had three historical moments: Japanese colonisation and liberation, the subsequent US control over Korea, and the Korean War. While Japanese colonisation initiated a serious capitalist development in Korea by separating means of production and subsistence from farmers, turning traditional land-ownership into capitalist private property rights and commodifying the products of labour as well as labour power, it also accompanied specific colonial features. The integration of the mass of the population into capitalist wage-relations was so limited that the vast majority of the population still lived in rural areas, not as wage-workers employed in commercial farming, but as surplus population earning their living within tenant-landlord relations. Wage relations in manufacturing sectors also in many cases featured feudal-like labour contracts, backed by surveillance and violence by police and security unions. This colonial development also determined the immature development of the Korean capitalist class, due to the lack of accumulation in the hands of Koreans during the colonial period. On the other hand, in spite of the weakening of its social power, the landlord class survived on the basis of the

alliance between the colonial state and the landlord class in controlling rural areas. Since the colonial state served directly the interest of Japanese capital and landlords as well as guaranteeing the interest of Korean landlords, there was not such a distinction between the state and dominant classes.

During the post-liberation period, the U.S. military government and the subsequent Rhee Syng-man Korean government played the most significant role in overcoming the crisis caused by the highly politicised movement of workers and peasants that had developed against colonial exploitation on the basis of feudalistic capital relations and tenant-landlord relations. The state founded a further development of capital relations by redistributing state-vested property to selected Korean entrepreneurs and overpowering the labour and peasant movements. However, it was during and in the aftermath of the Korean War that capitalist development in Korea took shape. The Korean War produced a particular class composition, which consisted of the decomposed working class, critically declining landlord class, and an immediate alliance between the state and a few capitalists. Again, it was the state that had the ability to reconstruct capitalist development with the absolute authority capable of allocating means of production and raw materials. In this sense, the 1950s marked the beginning of the politicised formation and the reproduction of capital relations, through which the state regulated individual capitals and the working class. However, the early politicisation of the formation of capital relations appeared, rather than offering a basis of the mystification of the state in separation from dominant class, in the form of an immediate alliance through which a few capitalists funded Rhee Syng-man's Liberal Party and in return enjoyed highly exclusive allocation of raw materials from the U.S.

aid. This form of accumulation based on foreign aid and the immediate alliance between the state and a few domestic firms, could not be sustained for long. As industrial production concentrated intensively on some specific sectors, relying on particular sorts of raw materials from the U.S., came up against barrier of limited domestic markets and the foreign aid from the U.S. decreased from 1958, individual capitals and the state attempted to overcome this problem by speculative investment and intensifying labour and extending working hours. Suffering from growing poverty, massive unemployment and high inflation, the labour movement began to re-emerge. Eventually, the reconstruction of capitalist development, based on the immediate alliance between a few capitalists and the state, was overthrown by the student movement, which struggled for formal democratic reforms against the 'corrupt' government, in 1960.

Chapter 7: The Development and Crisis of Capital Relations and the Korean State

Introduction

Massive struggles against the vulgar form of an immediate alliance between the state bureaucrats and particular capitalists, emerged in April 1960 and succeeded in bringing the Rhee Syng-man government to an end. However, the struggles did not threaten the given necessity of capitalist development itself, but only questioned the way in which the social power of capital took the form of the political state, which appeared to be an immediate alliance, therefore ‘corrupted’ personal relations, between politicians and individual capitalists. Indeed, the extreme form of anti-communism, which had made it possible for Rhee Syng-man’s Liberal Party to suppress the working class, was not questioned at all. While the people’s struggle ended the early settlement of capital relations in the form of the ‘immediate alliance’, the limit of the struggles also defined the nature of the newly emerging form of capitalist domination.²⁹ After Park Chung-hee’s military coup, individual capitalists, particularly the early *chaebols*, were

²⁹ Park Chung-hee, ironically, enjoyed the semblance between the agenda of the April Movement and that of his military coup, arguing ‘the unavoidable historical task in this decade, as initiated in the course of the April and May Revolutions, is the modernisation of the fatherland in all fields – political, economic, social and cultural... I therefore propose a great reform movement to materialise our national ideals as demonstrated by the April 19 and May 16 Revolutions’ (Park 1970, p. 286).

excluded from the area of politics by force. The political state now went into a significant transition, initiated by the military government whereby the members of the state [military officers] did not belong to the dominant class and individual capitals could not be directly involved in political matters. Now exercising its force not only against labour but also against individual capitals in promoting capital investment in specific industrial sectors, particular export sectors, that could satisfy economic development strategies designed by the state, the political appeared to be separated from the immediate dominant class. It was through this transition that the immediacy between political and economic domination appeared to be significantly resolved. The military government got support from many on the basis of its extremely nationalistic dedication to modernisation and economic development, and indeed, its real achievements. It was in this way that the state became a moment of the inversion of capital relations, contributing to the formation and reproduction of capital relations by translating the relations of exploitation into neutral classless relations between 'Korean' political citizens, i.e., translating the impossibility of class neutrality of the capitalist state into possibility.³⁰ However, the mystification of the state contributing to the reproduction of capital relations from the 1960s was far from stable. The state has increasingly undermined the very basis of mystification since the early 1970s, by exercising its

³⁰ The 'legitimate' or relatively smooth reproduction of the capitalist state is based on this capacity of translating the impossible of being class neutral to the possible while the reproduction of capital relations is also based on the continual translation of the impossibility of classless capital relations into the imaginary possibility of that. The important thing is that the possibility becomes 'reality' through this continual translation.

power in response to the grass-roots struggle of the working class and provoking the politicisation of class struggle against the state's control over labour. The politicised class struggle, which appeared in the form of the democratisation movement as well as the early development of 'democratic trade unionism' eventually led to the first crisis of the politicised reproduction of capital relations, which took a particular form of the state, at the end of the 1970s.

1. The Form of the State in the Politicised Formation of Capital Relations in Korea

Politicised formation of capital relations and the paradox of the 'autonomous' state

After Park's military coup in 1961, the state suppressed the collective power of the working class, which suffered from violent discipline and patriarchal hierarchy on the shop floor, by various methods legitimated by the anti-communist agenda and then enabled individual capitals to exploit the working class in the labour process without resistance. Park's regime, which had banned the labour movement in the aftermath of the military coup, later established the FKTU (Federation of Korean Trade Unions), which was, in fact, not a trade union but a government organisation, attempting to regulate the collective power of labour, which had re-emerged during the political turbulence between 1960 and 1961. The new trade union federation, created and organised by the KCIA (Korean Central Intelligence Agency), provided the way in which the state controlled workers effectively from the national to the workplace level through government approval of leaderships, subsidies and surveillance (Haggard 1990,

p. 64). Also, the state tried to secure the control of the state over labour at workplace level through establishing 'joint labour-management conferences' in individual firms in the 1970s. The labour-management conference began to play an important role in 'preventing industrial conflicts and raising productivity' at the work place (Kim, D. H. 1988, p. 66). However, most of all, the working class's struggles were still dealt with directly by the national security agencies and police. At the workplace in individual enterprises, individual capitals did not usually have a specific department of labour control or management, leaving labour control in the shop-floor to the traditionally structured workplace hierarchy based on seniority as well as discrimination between manual workers and non-manual workers in accordance with their educational background, and on pro-capitalist trade unions. Indeed, the Bureau of Labour Affairs, which was formally and legally supposed to be a prime state apparatus with regard to labour regulation, had a relatively small role in regulating labour, limiting itself as a supplement to regulation by police and national security agencies.³¹ The state's control over labour in the form of direct intervention by police and national security agencies seems to have worked well, looking at the numbers of industrial conflicts in the successful accumulation till the late 1960s, effectively eradicating the possibility of the emergence of an organised labour movement. This created an aspect of the contradictory form of the Korean capitalist state, i.e., the extreme class characteristic of the state.

³¹ The fact that 7 out of the first 10 directors of the Labour Administration had been from important positions in the police department since its establishment in 1963 (Kim, D. W. 1988, p. 40) shows that labour regulation relied on direct intervention based on force and surveillance.

However, in spite of its extreme class characteristic, what is important is that the class characteristic of the state *did not* appear directly in the form of subordination of the state to capital but rather in the form of the subordination of individual capitalists to the state, creating the image of a state independent of classes. In other words, the capitalist class also appeared to be subjected to the authority of the state since the state also put individual capitalists under the control of the state, which argued repeatedly and fanatically to be pursuing not the interest of a particular class or business but the common-goal of the nation. One of the most effective methods of subjecting individual capitalists to the state's leadership was through nationalised banks and financial institutions. First of all, the military government put the domestic commercial banks under the state's control by confiscating the privately held shares of domestic banks from individual capitals in the aftermath of the military coup (Haggard 1990, p. 65). While the state was now a primary shareholder, holding up to 31% of the total shares of all commercial banks (Kim, S. O. et al. 1997, p. 265), it also dominated the management of the commercial banks by legislating 'the law of temporary measures about financial institutions' that prevented private heavy shareholders from exercising their voting rights in managerial boards. Managerial authority of the government over commercial banks was again strengthened by the Bank Act amendment in 1962, by which the MOF (Ministry of Finance) now appointed presidents of the commercial banks. In addition, the military government subordinated the Bank of Korea to the MOF by amending the Bank of Korea Act in 1962, monopolising the authority to regulate foreign exchange and domestic financial flows. The state's control over individual capitals was also enhanced significantly by establishing new state-owned banks, such as

a Medium Industry Bank and the National Agricultural Cooperatives Federation, on the one hand, and by setting up a new government organisation, the Economic Planning Board (EPB), which took over the 'planning function from the Ministry of Reconstruction and budgetary functions from the Bureau of the Budget in the Ministry of Finance' (Haggard 1990, p. 65). The authority to approve foreign loans was monopolised by the Bureau of Foreign Capital, later the Bureau of Economic Cooperation, within the EPB by the amendment of the Foreign Capital Inducement Law in 1961. By putting financial flows under its strict control and thereby forcing individual capitals to invest in those preferred sectors, which had been argued as delivering a better life for all, the state appeared to be distinguished from the dominant class in spite of its extreme class characteristic that appeared in anti-worker state policies. This provoked the other aspect of the contradictory basis of the Korean state, i.e., the extreme autonomous-looking state from the dominant class.

The conditions and results of the early configuration of capital relations

During the 1960s, Korean economic development, based on the fast growth in exports, was momentous enough to be called 'an economic miracle'. However, it was not until the mid-1960s that either the particular formation of capital relations, through which the state exercised its power in boosting export-based industrialisation by allocating resources to individual capitals and controlling labour relations in favour of capital, or the mystified autonomous state appeared in concrete forms. At the beginning, Park's government emphasised construction of a self-reliant economy, rather than export-driven economic development. As almost the sole supplier of financial resources

to Korea, the U.S.'s response to the initial development plan designed by Park's military government was highly sceptical. As we saw above, the U.S. began to pursue, from the late 1950s, a Japan-centred developmental strategy in East Asia, which aimed at releasing the U.S. from the heavy financial burden of foreign aid without, however, harming either the further capitalist development or the U.S. influence in Korea and East Asia. Park's initial development plan, therefore, caused conflicts with the U.S. As the U.S. decreased its foreign aid to Korea, in an attempts to pressure Park's government to withdraw its initial aid-based developmental strategy toward self-reliance, from \$225 million in 1960 to a mere \$71 million in 1965, the Park Chung-hee government, the legitimacy of which relied on its pursuit and virtual short-term result of modernisation through industrialisation, now desperately sought an alternative source of capital investment (Hart-Landsberg 1993, pp. 141-3). It was in this context that the Korean state switched its development strategy from the pursuit of self-reliant economic development to an export-oriented development strategy and normalised its economic relations with Japan, which also benefited greatly from this relation by obtaining a secure regional market, particularly for Japanese means of production. In turn, Japan guaranteed over \$800 million financial support in the form of public and commercial loans and grants (Hart-Landsberg 1993, p. 145).

Following the early institutional developments enhancing state control over money, some crucial reforms designed to promote export-oriented development were subsequently introduced after negotiations with the U.S. authorities. These reforms included the dramatic devaluation of the currency in 1964, which 'significantly improved Korea's external competitiveness' (Krause 1997, p. 110), the interest rate

reform in 1965, which promoted domestic saving and attracted foreign capital for investment, and tax reform for increasing government expenditure. These reforms, together with the allocation of foreign loans for capital investment mediated by the state, enabled the state to establish the so-called Korean way of development. Through screening and allocating foreign borrowings, the EPB now began to function as the institutional basis of the so-called 'selective promotion of industrial investment by the state' in which the state arranged foreign loans to some specific individual capitals which could satisfy the government-planned developmental strategy. Once approved by the EPB, repayment of commercial foreign loans was guaranteed either by the Korean government or by state-controlled commercial banks (Kim, E. M. 1997, p. 110). Domestic funds mobilised by deposit monetary banks were also allocated to specific sectors or firms through the so-called policy-based lending, the interest rate of which was significantly lower than usual and therefore functioned as a major measure to attract individual capitals to preferential sectors, mainly the exporting sector (See Cho and J. K. Kim 1995).³² Capital investment, largely relying on foreign borrowing guaranteed by government or state-owned banks, was concentrated most of all on infrastructure and manufacturing sectors. It was through this capitalist development on the basis of export-based industrialisation that the state could maximise its

³² For example, the interest rate for export sectors was fixed at 6% between 1966 and 1972 while the general interest rate of bank loans was usually more than 20%. Those sectors given a preferential rate varied throughout the 1960s and 1970s. The state directed domestic loans to those sectors by imposing a strict regulation of loans from commercial banks by the Monetary Board, which was under the control of the BOK and MOF.

developmental leadership in nurturing the capitalist class as well as controlling labour without facing serious challenges undermining political stability. Likewise, the state achieved political as well as economic support from the U.S., that overlooked various restrictions on free-market and the state's authoritarian intervention at the expense of stable capitalist development. (See Hart-Lansberg 1993, p. 143).

In addition to the suppressive control over the collective power of labour, the state's agricultural policies also contributed to establishing the basis of early capital accumulation in Korea by guaranteeing the smooth supply of labour from rural areas. Park's government kept lowering the grain price through imports and strong regulation in order to prevent inflation caused by wage increases. Less investment in rural areas and agricultural sectors also contributed to supplying cheap labour. During the first and second five-year economic development plans (1962-1971), contrary to the early populist policy toward the agricultural sector, only half of the planned government spending on the agricultural sectors was actually spent (FKTU 1979, p. 560). As a result, a massive rural population, particularly of the young generation, whose families earned their living from small land holdings, migrated to urban areas looking for jobs, causing a large-scale rural exodus (Koo 1990, p. 673) and a massive increase in the number both of wage workers and manufacturing workers in the 1960s.³³ Capitals consequently enjoyed a practically unlimited supply of labour power as well as an extreme degree of

³³ The total number of wage-workers increased from 2,414,000 in 1960 to 3,787,000 in 1970. Particularly, manufacturing workers appeared to lead this by doubling its size between 1960 and 1970 (417,622 in 1960 to 995,981 in 1970) (Koo 1990, p. 673).

surplus value exploitation, since those workers who came from the areas where the average income of a household was merely 37% of that of urban household in 1960 (Choi 1997, p. 65) endured low wages and extremely long working hours.³⁴ The unlimited supply and abundant reserve of labour became the primary basis of the unilateral labour relations based on paternalistic discipline and hierarchy, together with continual surveillance by police forces and intelligence agencies. On the other hand, produced surplus value appeared to be realised smoothly by the massively growing export of light goods, industries for which benefited most from the state policies.

Maximising the developmental leadership of the state, the state-led industrialisation gave rise to a structural switch of national industry from ISI (Import Substituting Industrialisation) to EOI (Export Oriented Industrialisation) (Cummings 1987, p. 69), showing both a remarkable 8.45% average annual GDP growth rate and 35.5% export growth rate for the 1961-1970 period. Korea's miraculous capital accumulation in the 1960s resulted from the development of this particular way in which surplus value was produced and realised in the particular context of class relations as well as capitalist development in East Asia in the 1960s. The politicised regulation of labour disputes was remarkably successful through anti-labour policies, the legitimacy of which was firmly based on anti-communist propaganda penetrating every single aspect of the everyday life of the people and super-constitutional laws based on the anti-communism. Again,

³⁴ Those migrated workers from rural areas in labour intensive industries, particularly textiles, were predominantly young women workers, who were regarded by-and-large as a surplus labour force in rural families.

the politicised regulation of financial flows was successful since capitalist social domination had not developed fully yet. Those particularities of formation of capital relations and their reproduction, i.e., political regulation of labour as well as individual capitals, in which the political appeared to be separated from the capitalist class, on the one hand, and also appeared to be an agent of the capitalist class, on the other, built up the *paradox of state autonomy*, which caught the eyes of the developmental state advocates. For many, the state, despite its extreme class characteristics, appeared to be a public guarantor of the national interest, not a class apparatus. Nevertheless, it is important to notice that this early configuration of capital relations, the reproduction of which relied on the politicised regulation of labour and individual capitals, also provoked the increasing *politicisation of class struggle*, the further development of which eventually led to a further crisis of the state in the late 1970s. As the capitalisation of social relations developed further and created a mass working class, the very basis of the particular fetishisation of the social relations came to be undermined by the politicised class struggle and capital accumulation itself.

Class struggles and the limits of the politicised formation of capital relations

The early reforms, although they led to a very remarkable capital accumulation through founding export-oriented development till the late 1960s, soon came up against their own inherent limits. In the late 1960s, urban poor uprisings occurred in the form of riots attacking police stations and government buildings, revealing the substantively inherent contradiction of economic growth in the 1960s (Haggard and Moon 1993, p. 74). On the other hand, workers' struggles for independent unions re-emerged as

industrialisation deepened and the military government tightened suppressive control over labour.³⁵ Most of the struggles for organising labour unions at the enterprise level were ignited by impromptu resistance against intolerable working conditions, delayed payment and extremely long working hours, which were usually more than 12 hours a day during the 1960s. While the Labour Standard Law was completely ignored at the workplace, trade unions were largely understood as a sub-department of managerial authority, the activity of which were largely unknown by their members (KNCC 1984, pp. 108-22). In many cases, those who attempted to organise trade unions or confront the existing hierarchical authority of the unions had to risk confinement, beating and even assassination (KNCC 1984, pp. 86-91). Once workers succeeded in organising a strike and other embryonic forms of collective action, with or without the union's approval, it was also usual that the regional police department warned an employer to be prepared and, if that was not enough, the police directly mediated negotiation between workers and employers, often with the threat to arrest involved workers unless the workers accepted those offers made by police officers and employers. Although these 'promptly organised' resistances often ended up bitterly with capitalist violence, lockout

³⁵ Beginning with workers' struggles in Muyung Industry and Seeheung Mine, in Jokwang Textile, Mulgeum Mine, Lucky Chemistry, Lucky Gold Star, Korea Special Industry, Geunsin Industry, Miwang Industry, and Donyang Machine Industry, workers' struggles took the form of 'an independent or democratic union movement' from 1961 (KNCC 1984, pp. 64-5, also see FKTU 1979, pp. 740-52). Following these, struggles for independent labour unions occurred also in foreign-invested electronic firms in 1967 and 1968. However, it is hard to say that these independent union movements formed a trend in the 1960s when most of the working population did not even recognise the existence of labour unions in their own firms.

and subsequent mass dismissal of those who were involved in the unions, workers' struggle developed slowly but continuously. Particularly, it was in the struggles in the textile industry that the re-emerging working-class resistance began to publicise issues on working conditions and capitalist control over labour as well as the state's suppression. Amongst many struggles of textile workers, Chun Ta-il's self immolation and subsequent establishment of the symbolic democratic union in the history of working class struggle in Korea, the Chong-gye Clothing Trade Union, revealed and publicised the intolerable working conditions and working days which prevailed in the textile industry, as a daily news paper described.³⁶

³⁶ The struggle, which was later the example for democratic labour unionism throughout the 1970s and 1980s, began with a small group organised by a tailor, Chun Ta-il in Pyunghwa market, where small-size textile firms were heavily concentrated. The group called for state intervention in these working conditions, visiting and writing letters to the Bureau of Labour Affairs. However, 'no one in a position of power responded to Chun's pleas' (Koo 1993, p. 138). Again, Chun attempted to ask the state to correct the working conditions according to the Labour Standard Law, which was formally legislated in 1953, but had never worked, by submitting a 'petition for the improvement of the working conditions of clothing workers in Pyunghwa Market' to the Minister of the Bureau of Labour Affairs, which provoked massive discussions and was covered by major newspapers. However, the struggle in the form of pleas did not succeed in forcing the state to improve working conditions. Rather, those attempts ended merely with the deception of the state, which instead strengthened surveillance by the police. After several attempts to organise demonstrations against the employers and the state failed, Chun Ta-il set himself on fire in a demonstration organised with his fellow workers on 13th November 1970 (Koo 1993, p. 139). Following Chun's death, the Chong-gye Clothing Trade Union was accepted and finally became the first 'recognised' democratic trade union through a vehement struggle by his family and fellow workers in Pyunghwa Market.

Young girls are working in a small room as long as 16 hours a day, with extremely low wages and even industrial disease. Shame on the labour standard law... There are four hundred garment manufacturers in the Peace Market. The workplaces, which are smaller than 8 sq m, are so packed with 15 workers, sewing machines and other machinery that people can hardly move. Indeed, the room is vertically divided in the middle, so the ceiling is just 1.5 meters, making the workers not able to stretch their waists... According to Peace Market workers - *ChunTa-il and his colleagues* - they are working 13 to 16 hours a day in this environment... with two days off only on the first and third Sunday (Gyunghyang Daily News, 27 October 1970, italics by author).

The importance of Chun's struggle lies not only in the dramatic and extreme form of struggle but in the influence of the struggle, which shook the whole Korean society and inspired the intellectual and student movement as well as the trade union movement. This struggle indicated the re-emergence of the struggle of organised labour, in and out of the state-controlled trade union movement, under the slogan of 'democratic trade union (*Minjunjojo*)'. In the aftermath of the struggle, the number of industrial conflicts dramatically increased from 165 in 1970 to 1,656 in 1971 (KNCC 1984, p. 123), including conflicts over wages and establishment of unions. Also, the student movement began to support the labour movement through organising demonstrations in universities, indicating a further development of student-workers' solidarity which contributed to radicalising workers' struggle and marked a further development of

workers' struggle in the 1980s.³⁷ Now, workers began to undermine the early configuration of capital relations by publicising labour issues in more organised and continuing struggles, without relying on the existing federation of trade unions or being trapped within the image of the autonomous state, which was revealing its class character by deploying more and more coercive means of controlling labour. At least for Korean workers, the fantastic image of the state as a bearer of a common good began to be broken from the early 1970s.

2. The Politicised Reproduction of Capital Relations and the Crisis of the State

Politicised reproduction of capital relations and heavy industrialisation

As we saw above, Korea's miraculous economic development in the 1960s was based on a particular formation of domestic capital relations, which had been made through a specific history of class struggle and had developed a particular form of the state that in turn had been actively participating in the reproduction of capitalist social relations through repressing the working class. However, from the dawn of the 1970s and afterwards, the development of this early composition of capital relations appeared to be challenged, showing pre-crisis symptoms. While the state-led development began to suffer from the development of class struggles undermining the power of the state

³⁷ In this context, Chun Ta-il's struggle enabled the student movement to begin to overcome its limitation, which had appeared in the April movement in 1960.

subordinating labour to capital, the changes of the conditions of capital accumulation at the global level also appeared to threaten the smooth capital accumulation in Korea.

The export-drive based on the expansion of foreign borrowing guaranteed by nationalised banks and the Korean government resulted in an extremely high level of foreign debt, the total of which increased more than ten times, from 200 million dollars in 1964 to 2.922 billion dollars in 1971 (Hart-Landsberg 1993, pp. 174-5), while allowing individual capitals to keep producing on the basis of credit expansion. On the other hand, although the export of consumer goods was increasing continually, this growth accompanied an increasing importation of the means of production, the result of which appeared in the growing deficit of trade, \$574 million in 1967 to \$1,045 million in 1971. As global capital accumulation went into a slow-down period, newly emerging protectionism in the advanced economies also threatened further capital accumulation in Korea. In particular, after the trade balance of the U.S. went into deficit in 1971, light-industry-based export appeared to reach an impasse especially due to the increasing protectionism in the U.S. market that 'forced South Korea to sign a bilateral trade-restraint agreement on textile' (Hart-Landsberg 1993, p. 175), which made up 38% of total exports. With gloomy prospects on the global market, Korea's export growth also slowed, after the peak of 42% growth in 1967, 37% in 1969, 34% in 1970 and 28% in 1971. Park's government attempted to encourage exports and discourage imports, by a 12.9% devaluation of the Korean won in June 1971. However, devaluation appeared rather to result in increasing repayment pressure on Korean firms that raised almost half of their external funds from foreign borrowing. Conservative lending policies of commercial banks in order to slow-down high inflation also resulted in worsened

repayment pressure. In order to release financial pressure from foreign debt, individual capitals rushed into the informal curb market for short-term loans and, as a result, suffered from the re-payment of high interest corporate debt to the informal credit market. As a result of these difficulties, 'more than 2000 firms were forced into bankruptcy by 1971' (Hart-Landsberg 1993, p. 175).

So as to overcome these problems, the state directly intervened in the economy by liquidating the less efficient individual capitals from May 1969. As a result, 30 large and medium size companies were forced to shut down by the government (Park 1999, p. 168). In addition, the state attempted to support relatively efficient capitals through 'a devaluation, a cut in domestic interest rate, and a bailout of financially troubled firms' (Amsden 1989, p. 97). A gigantic bailout project was implemented by the state in 1972, by 'placing an immediate moratorium on all loans in the informal credit markets and reduced the bank loan rate from 23% to 15.5% annually' (Cho 1998, p. 15). However, it was in heavy industrialisation that the developed role of the state in revitalising capitalist development by controlling labour and financial flows showed its culmination.³⁸The state, beginning with President Park's public announcement of the

³⁸ Park's government argued that heavy industrialisation was the only way of overcoming dependency on the advanced economies not only in terms of economic development but also in terms of military defence. Heavy industrialisation was believed to bring less dependency of the production of the means of production and technology on Japan and the U.S., therefore enhancing the balance of payments, on the one hand, and to make it possible to avoid growing trade conflicts with the U.S., on the other. It was also conceived as the only way of resolving the increasing tension in the Korean peninsula induced by the change of U.S. foreign policies in accordance with the Nixon Doctrine that decided to withdraw an entire combat division (the Seventh Division, with a force of twenty-four thousand) from South Korea (Haggard and Koo

Heavy and Chemical Industry Plan in 1973, attempted to push heavy industrialisation through direct funding, allocating foreign loans, lowering interest rates and offering incentives and tax-cuts. Foreign and domestic loans were highly-selectively allocated to heavy and chemical industries through the so-called policy-based lending by the nationalised banks throughout the mid and late 1970s. Regarding Korea Industrial Bank alone, about 80% of total loans to manufacturing were concentrated on heavy industries from 1973 to 1980 (Choi 1999, p. 101). Also the state established a massive National Investment Fund that ‘mobilised public employee pensions and a fixed portion of all bank deposit’ and ‘channelled them into designated projects and sectors at highly preferential rates’ (Haggard 1990, p. 132). About 67% of investment from this fund was allocated to heavy industries in the same period. In addition, 14 important industries enjoyed more than 50% of domestic tax cuts as well as more than 70% tariff cuts. It was at this time that Korean *chaebols*, benefiting from these favourable conditions, rushed into heavy industries, such as ship-building, automobiles, machinery, refinery, steel, petrochemical, etc., and found a new basis of capital accumulation.

While the big *chaebols* benefited most from the heavy industrialisation in the 1970s³⁹, this development was accompanied by more repressive policies against labour. In other

1993, p. 75), in spite of growing tension between North and South Korea. In order to avoid the growing protectionism and adjust economic development to the changing international division of labour and prepare self-reliance, the heavy industrialisation plan, as an alternative, seems to have been prepared from the late 1960s.

³⁹ The number of sub-companies owned by the largest 30 chaebols increased from 126 in 1970 to 348 in 1979, due to new investment in heavy industries.

words, the reproduction of capital relations, which had been formed in a particular way through the early politicised formation of capital relations, *presupposed* state policies to secure the subordination of labour to capital in favour of further capital accumulation as the trade-off, together with financial benefits, that could attract individual capitals to follow state economic policies. This politicised reproduction of capital relations marked the further development of capital relations in Korea during the 1970s, provoking, however, a further politicisation of class struggle. As we saw above, the working class movement in the early 1970s mainly focused on the attempts to organise new independent unions against forced labour, delayed payment, extremely long working days and capitalist violence, which were sustained by the state and the pro-capitalist federation of trade unions. Against the pro-capitalist unionism of the FKTU and its affiliated unions' undemocratic approach toward rank-and-file workers, those new independent unions called themselves 'democratic unions', building up a common identity among them. Now the democratic union movement (*Minjunojouondong*) represented the Korean workers' movement in the 1970s and 1980s. While the tensions between the growing working class and the state's labour controls developed, symptoms of the pre-crisis of the existing capital relations appeared also in the presidential election, in which President Park narrowly defeated the opposition candidate, Kim Dae Jung in April 1971. Facing them, the early configuration of capital relations, which was the very basis of the reproduction of the state itself, could be reproduced this time only by extreme political repression such as, enactment of the Law Concerning Special Measures for Safeguarding National Security following the garrison decree of October

1971, *Yushin* (revitalisation) Constitution in 1972 and subsequent National Emergency Measures in 1974 and 1975.

In consequence, the attempt of the state resulted in the secure, at least temporarily, reproduction of the state on the basis of the reproduced decomposition of the working class. It was only through the state's immediate involvement in class struggles, nullifying all existing workers' legal rights and illegalising any kind of political and social resistance by supra-constitutional legislation, that Korea's capital relations, in favour of further capital accumulation in the context of growing difficulties in export, were finally reproduced. However, this reproduction indicated a serious flaw in the early settlement of capital relations. These emergency measures were effective enough to enforce a short-term mobilisation of capital and labour and, therefore, result in a massive transformation of the industrial structure. Nonetheless, these measures appeared to critically undermine the basis of the mystification of the state. By limiting the political rights of its citizens and paralysing any sorts of formal democratic procedure, these measures revealed the class character of the state far beyond the extent that it could possibly be mystified as an autonomous regulator. The result was clear. The democratisation movement (*Jeyaundong* or *Minjungundong*) began to gather massive support from all around country, while workers at the workplace began no longer to tolerate suppression.

Text box (1) – The state's labour control under the emergency decrees

The state's more aggressive attempt to decompose the working class appeared well before the serious launch of heavy industrialisation in the 1970s. In early 1970, 'the Extraordinary Law on Trade Unions and Labour Disputes Adjustment for Foreign Invested Company' was introduced. This law resulted from the need to attract foreign capital to begin heavy industrialisation. For that, the state had to stabilise increasing labour disputes in the foreign invested firms in Korea in the late 1960s. According to the law, the establishment of trade unions and their activities in the foreign invested firms must be under more direct control of the state, which encompassed restrictions on the unions' rights of collective actions and collective bargaining (Kim, D. W. 1988, p. 27). The law clearly showed the state's first attempt, which was eventually completed with the emergency decrees in the early 1970s, to decompose the working class in order to reproduce the capital relations in adjusting national capitalist accumulation to global change. The Subsequent enactment of the 'Law Concerning Special Measures for Safeguarding National Security', following the garrison decree of October 1971, provided President Park with an exclusive authority to 1) control matters regarding 'economic order' including consumer prices, rent, and wages, 2) mobilise labour and resources, and 3) restrict collective action of workers that 'would' undermine national security. According to Article 9 of this law, unions had to ask for the arbitration of the government and follow the result of arbitration before exercising the right to collective bargaining and collective action (KNCC 1984, p. 737). Under the same article, collective actions of trade unions of the enterprises, which were supposedly related to the public interest, were prohibited. Again, the Measure Dealing with Collective Bargaining under National Emergency, enacted in March 1972, 'expanded the range of enterprises defined as belonging to the public interest' (Koo 2001, pp. 29-30). Furthermore, from 1973, all work stoppages became illegal (Cumings 1997, p. 358). The *Yushin* Constitution in 1972 allowed the president to 'designate one-third of the National Assembly', 'to suspend or destroy civil liberties' and 'to issue decrees for whatever powers that the *Yushin* framers forgot to include' (Cumings 1997, p. 358) and established the 'National Conference of Subjectivity of Unionisation', in which 600 representatives, under the leadership of President Park, were bestowed a super-constitutional authority capable of controlling parliament. Worse still, emergency decrees in 1974 allowed the police to arrest people without court warrant and put them on military trial. As a labour dispute was regarded as undermining national security, labour disputes came to be dealt with as criminal activities by police and security agents. Consequently, apart from the usual involvement of police and security agents in the surveillance and suppression of the labour movement, more than 57% of labour disputes provoked 'direct' intervention of police and security agents between 1977 and 1979 (Kim, D. W. 1988, p. 40).

Capital accumulation and domestic class struggle

The state's attempt to launch heavy industrialisation aimed to adjust the national industrial structure aggressively to the changing conditions of global capital accumulation, which appeared in the form of the declining competitiveness of Korean capital in global competition and diminishing geographical superiority, by taking advantage of its regulative power over individual capitals and labour, that guaranteed easier access of Korean capitals to the market. The heavy industrialisation in the early 1970s is, therefore, to be understood not as a mere economic policy by the class-autonomous state for the national interest but as the politicised reproduction of capital relations, in which each element of the earlier composition of capital relations in Korea in the 1960s, i.e., unilateral labour relations at the workplaces, state's control over collective labour, and the state regulation of individual capitals, developed further in response to the increasing difficulties in competition in global markets. Given the economic development of the 1970s, it seems that heavy industrialisation, which had been conceived as far too speculative, was successful at least in offering a further basis of accumulation for Korean capitals. Through the 1970s, despite a slight slow-down during the mid 1970s caused by the first oil shock, the economic growth was impressive. After the first oil shock, the economic growth rate soon recovered, showing an average of 12.33% growth from 1976 to 1978. In spite of massive foreign loans for new investment, which were accompanied by inflation, capital investment concentrated on the heavy industries appeared profitable. Electronics, steel, shipbuilding and other assembling-manufacturing industries seemed to enjoy price competitiveness in the global market, leading to export growth of heavy industrial products. Heavy

industrialisation also could substitute the production of the small-scale means of production. The rate of imported general machinery to the total supply of general machinery fell from 75.3% in 1970 to 59% in 1980 and 41.3% in 1985 (Jeong 1990, quoted in Lim 1998, p. 30). The production of small-scale general machinery did not suffer from limits of the domestic market because it had almost wholly relied on imports. Indeed, relatively successful labour control in heavy industrial sectors throughout the 1970s,⁴⁰ was enough to take advantage of cheap labour. As a result of the development of heavy industries, the rate of supply of the means of production depending on imports also fell from 29.9% in 1973 to 24.5% in 1980 (Jeong 1990, quoted in Lim 1998, p. 30). In addition, the construction boom in the Middle East and the Vietnam War contributed to the growth.

However, although capitals in the newly emerging heavy industries appeared to enjoy peaceful labour relations at the workplaces, it is not true that labour control over collective labour was entirely successful during the mid and late 1970s. Although it might be true that ‘for the first time, the rate at which nominal wages was rising exceeded the rate at which productivity was rising’ (Amsden 1989, p. 101), inflation was high enough to keep the real wage down throughout the 1970s. Also labour relations on the shop floor, which obviously relied on *barrack-like and patriarchal labour regulations*, were intolerable enough to keep the shop floor labour relations unstable. Since labour control in the 1970s relied on those emergency decrees which

⁴⁰ In large-scale firms in heavy industrial sectors, there were only 4 labour conflicts between 1974–1979 (Lee 1999, p. 107).

declared that all industrial conflicts must be controlled by the state, growing workers' struggle began to collide more politically and directly with the state. On the other hand, the existing trade unions and labour aristocracies also appeared to be a barrier to workers' struggle more clearly as the FKTU had increasingly intervened in labour conflicts at enterprise level.⁴¹ With its authority as the only umbrella organisation, the FKTU could control the nature of the unions in enterprises through intervening union elections and mediating the conflicts between individual capitalist and workers as well as between the state and workers. It was in particular in the textile industry that the FKTU revealed its anti-worker characteristics as the National Textile Trade Union, affiliated to the FKTU, repeatedly played an important role in hindering the emergence of an independent union in the mid and late 1970s. However, these pro-capitalist unions in enterprises and the FKTU faced growing resistance from below against their authority.

⁴¹ It is worth looking at an announcement with regard to the emergency decree, in order to understand the reality of the national federation of trade unions in the 1970s.

FKTU, preserving the glorious tradition of anti-communist patriotism, is seriously concerned about the suspicious movement of the North Korean puppet regime, which is mad about preparing war and declares unification by force. Also we had already been claiming the collective security of free nations and continually appealing to the nation-wide strengthening of the security posture... we strongly agree with the national emergency decree of 6th December 1971 and declare like below, assuming a tight stance of 'construction, on the one hand, and defence, on the other' for the nation and calling for cooperation of army, government and people for the settlement of security and self-restraint... (KNCC 1984, pp. 233-4, my translation)

The crisis of the politicised reproduction of capital relations and the crisis of the state

The democratic unionism continually developed in the textile industry, in line with Chun Ta-il's struggle in the early 1970s, and now in the second half of the 1970s confronted the state's labour control based on the subsequent emergency decrees. In the attempts to incapacitate the continually emerging resistance, such as Dongil Textile workers' strike ⁴² and Chong-gye Garment workers' struggle, the state utilised increasingly violent measures – police surveillance, assault and torture, while the FKTU took advantage of its bureaucratic authority to disturb the struggle for a democratic union and organised 'save-the-company-squads'. During the months-long struggles, mainly organised by young women workers, the brutality of the state's response to workers' struggle and the pro-capitalist nature of the FKTU were clearly revealed. These struggles led to more serious nation-wide discontent with the Park regime,

⁴² The struggle in Dongil Textile Company was provoked by the disapproval of the newly established democratic union. Workers in Dongil Textile elected Lee Yung-Sook, who was a democratic candidate, as the president of the trade union in 1976. The state tackled the newly democratised union by arresting the president elected by the workers. Meanwhile, pro-capitalist delegates elected a new president while the workers were confined to their accommodation in the factory. Rank-and-file women workers later occupied the factory and began a sit-down strike while the water and electric supply was cut by the company. After 3 days, 400 workers were arrested brutally by police, although they attempted to resist with naked struggle on 25th July 1976. However, workers did not give up the democratic union. Rather, they forced the Ministry of Labour Affairs to promise to guarantee a democratic process of trade union election, by continual struggles. Even though the democratic trade union was re-established in 1977 through the election, eventually the union was destroyed by inhuman violence by pro-capitalist workers and police in 1978 and 124 workers were fired.

precipitating anti-government struggles organised by intellectuals, students, churches' organisations and opposition political leaders.⁴³

Worse still, the impact of the second oil shock and subsequent global-scale depression appeared to be particularly critical in the late 1970s. The concentrated capital flow into heavy industries in the late 70s turned out to have been increasing the trade deficit over the mid-1970s as the early stage of heavy industrialisation still relied heavily on imported large-scale means of production and parts required in growing assembling-manufacturing. The skyrocketing oil price worsened the trade deficit, particularly in heavy industrial sectors, while the export of heavy industrial products also began to decrease with the emergence of the depression.⁴⁴ Although Park's government attempted to overcome this crisis by tightening its repressive control over the democratisation movement as well as the growing trade union movement, on the one hand, and forcing structural adjustment in heavy industries, the state appeared no longer to be able to do it in the way it could in the early 1970s. Instead, the state faced

⁴³ It is in this sense that the origin of the first crisis of the politicised reproduction of capital relations lies in workers' struggles well before the emergence of crisis in 1979. The conventional wisdom that the labour movement in Korea emerged seriously only between 'the assassination of President Park Chung-hee in October 1979 and the assumption of power by General Chun Doo-hwan in May 1980' (See, Amsden 1989, pp. 101-2) is, therefore, *simply* not true. Class struggle in the form of re-unionisation of workers, against the military-like labour control by capitalists, pro-capitalist union and the state emerged from the beginning of industrialisation and developed through the 1970s.

⁴⁴ Chaebol-owned heavy industrial factories appeared to stop operating, showing merely 39% operating rate in 1980 (Lee 1999, p. 139).

uncontrollable nation-wide anti-government struggles after the YH workers' struggle⁴⁵ in 1979 during which the riot police attacked workers occupying the headquarters of the first opposition party, New Korean Democratic Party, with 1000 police, beating workers and MPs of the opposition party and eventually killing a 21-year-old woman worker in the invasion. The violence against the YH workers in Seoul incited riots as far away as Masan and Pusan (Ogle 1990, p. 92). President Park was finally killed by his closest and most loyalist fellow, Kim Jae-kyu, who later claimed that 'he did it to save the nation from a blood bath that Park intended to rain down upon Masan and Pusan' (Ogle 1990, p. 92; Cumings 1987, p. 79).

With the dramatic collapse of the Park regime, which had been exercising brutal force to sustain the effectiveness of the early formation of capital relations, *the politicised reproduction of capital relations faced its first general crisis*. After the assassination of President Park, emerging class struggle could no longer be controlled by the state. Nation-wide demonstrations demanding political democratisation were held, while over 700 strikes against violent labour control were organised in the few months during early 1980, providing an expectation of political democratisation as well as of the demise of the repressive labour relations. The state, which again fell under

⁴⁵ YH workers' struggle initially occurred after the employer shut down the factory without securing employment because of financial difficulty provoked by over-investment in different industries. Workers began to struggle, demanding the right to live through the succession of employment. The struggle seemed to finish when the company promised to withdraw the plan to shut down the factory in the labour committee mediated by the Ministry of Labour Affairs in April 1979. However, the employer shut down the factory as he planned in August and the state did nothing (YH Trade Union 1984).

military control by General Chun Doo-hwan after another military coup in May, and the political aspiration of the people against the existing forms of capitalist domination eventually collided in Kwang-Ju, a southern city of Cholla province, in the form of the first armed struggle, after the liberation in 1945, organised by workers, students, housewives and others. Despite the first armed struggle, which manifestly illuminated the increasingly apparent class character of the capitalist state, struggles for reconstructing capital relations in favour of the growing working class ended up with the massacre of thousands of people in May 1980. However, even though the new military regime was successful enough to grasp political power, the previous way of organising capitalist production, under which the state enjoyed unfettered regulative power against the mass of the working population, could no longer be reproduced in the way it had been, but was now increasingly subject to continual struggle and the crisis-ridden development of global capitalism. In this sense, further politicised reproduction of capital relations by another military regime was incomplete and partial, even more than it had been during the *Yushin* period.

3. The Growing Instability of the Politicised Reproduction of Capital Relations

Stabilisation policies and resumed accumulation

During the crisis between 1979 and 1982, the government introduced stabilisation policies. The stabilisation policies and subsequent economic readjustment policies aimed to overcome the barriers against which the state came up. In other words, the

policies aimed to revitalise, by redeploying the political methods having been used by Park's regime, the central elements of the early configuration of capital relations, the articulation of which had been centred around regulation of the state over individual capitals and labour and had begun to be threatened by the development of domestic class struggle in the form of re-unionisation of workers at the shop floor, growing people's inspiration toward democratisation and the development of an increasingly competitive export market.

Facing accelerated inflation, the rate of which peaked at 28% in 1980, a strong fiscal restraint, including cutting subsidies, recomposing government organisations and eliminating public funds, was pushed by the state during this period. Also, in order to tighten monetary and credit control, the interest rate of commercial bank loans was increased repeatedly and reached at its highest 24% in early 1980. Further reforms included the readjustment of heavy industries through liquidating less efficient capital and supporting some individual capitals to absorb the liquidated capital. From 1980 to 1981, in an attempt to resolve repeatedly emerging overproduction problems in particular industrial sectors, the government introduced plans for the realignment of investment to which a total of six industrial sectors, such as automobile, copper smelting and electric facilities, and twenty-five large-scale firms were subjected. Those *chaebols* which followed state policy by merging, selling and buying their sub-companies could enjoy extremely favourable financial conditions as well as a monopoly in the specialised industrial sectors. The restructuring plan also emphasised the transformation of industrial structure, which had caused trade deficit problems, from

traditional industries to strategic high technology industries, such as semiconductors, computers, telecommunications and aerospace.

On the other hand, the stabilisation aimed to repress the growing power of the working class by means of an income policy and renewing the labour law which was focused on decentralising the union movement, strengthening the role of the state in the mediation of labour disputes and tackling the involvement of student and church organisations (Haggard and Moon 1993, p. 82). After those subsequent stabilisation policies and recovery of the global conditions of capital accumulation, Korean economic development appeared to be on track again. As a whole, economic development in the 1980s after the crisis seemed to create even another miraculous moment. However, it is wrong to relate the recovery of capital accumulation immediately with another heyday of the politicised reproduction of capital relations. The pressure on the existing way of reproducing capital relations, despite successful capital accumulation during that period, continually grew with the more radicalised class struggles, on the one hand, and with the development of a more competitive global market, which imposed increasing pressure on Korea's export drive and pressure of liberalisation on the domestic market of Korea, on the other.

Further development of the working class movement

Throughout the 1980s, the labour movement undermined the power of the state as the protector of individual capitals from workers' collective actions. The tension between capital and labour in the form of the unionisation struggles was growing, inspiring and also inspired by the democratic movement, called the '*Minjung*

movement', and showing a clear continuity with the development of class struggle in the 1970s. Whereas the number of unions and overall union density decreased during the early 1980s due to suppressive labour policies, thousands of college students, who were inspired by the workers' struggle in the 1970s and studied radical ideas in student movement groups, disguised themselves as ordinary workers and entered into factories, beginning to radicalise unorganised workers and making a specific tradition of the workers' movement which was called '*No-hak Yondae*' (workers-students alliance) (See Koo 1993, pp. 148-151). Also, the democratisation movement began to develop more seriously with the traditional left wing, including religious and intellectual groups, forming a nation-wide alliance. Facing this increasing tension, the state attempted to resolve it by introducing political relaxation, including relaxed control over workers' collective actions from the mid-1980s. However, this relaxation could not satisfy the growing aspiration of the workers, allowing instead workers to organise 200 independent trade unions (Koo 1993, p. 150) and to develop regional solidarity between the unions. Two struggles in the mid 1980s, the strikes in Daewoo Motors and Kuro Industrial Park, represent the development of the workers' struggle in the 1980s and its continuity with that of the 1970s.

The former struggle in Daewoo Motors showed the newly emerging pattern of trade unionism in big *chaebols*, which were the most heavily invested, however, relatively less organised, indicating the extremely militant struggle by male workers in the sectors in heavy industry which came to lead the workers' struggle after 1987. The so-called disguised workers' attempts to radicalise trade unions played an important role in organising the strike with elaborate preparation, showing solidarity with the 'real'

workers. The strike, in which rank and file workers effectively overpowered pro-capitalist union leadership by setting up 'the Committee for Normalisation of the Trade Union', became a model case of democratisation of trade unions. Meanwhile, the Kuro strikes, which escalated, beginning with a strike in one firm, into solidarity strikes in the Kuro Industrial Park, supported by student and dissident organisations (Koo 1993, p. 151), showed the possibility of an alternative current of the trade union movement against the existing pro-capitalist federation by developing regional solidarity between grass-roots independent unions. This strike was initiated by the state's attempts to break the democratic unions in Kuro Industrial Park, which were established in the early 1980s. After police arrested union leaders in Daewoo Apparel, due to their 'illegal activity in collective bargaining', workers in Daewoo Apparel immediately went on strike. Other democratic unions in the industrial park, Hyosung Products, Sunil Textile, Karibong Electricity and Chong-gye Garment Workers' Union had a meeting and decided to call for a 'solidarity strike' on 24th June 1985. The solidarity strike lasted for 6 days. Meanwhile, other democratic unions in Kuro Industrial Park, Buheung, Namsung Electricity, Sejin Electron, Rom Korea and Samsung Medicine also participated in the strike. During the strike, solidarity between the *Minjung* movement and workers as well as student-workers alliance also developed a step further.⁴⁶

⁴⁶ While students brought food and medicine through the police line and organised a solidarity demonstration, democratisation movement organisations, including religious and youth organisations, also held demonstrations by occupying the headquarters of the New Korean Democratic Party and other places.

Liberalisation and the development of individual capitals

On the one hand, the state's leadership against individual capitals seemed to be sustained throughout the early 1980s. The state intervened in industrial restructuring, after the plans for realignment of investment, by introducing rationalisation plans, such as shipping industry rationalisation in 1984 and 1987, foreign construction rationalisation in 1986 and readjustment of insolvent firms in 1986. In so doing, the state allowed sounder firms to take over small and insolvent firms by offering 'financial incentives to creditor banks to write off debts and extend debt maturity and replace existing debt with a longer-term debt at a more preferable rate' (Cho 1998, p. 16) and by providing massive tax cuts (readjustment plan alone, about 1,739 billion won). The state again, through the BOK, delivered more than 1.8 trillion Korean won (about \$2.6 billion) to relieve the financial burden on creditor banks, at the extremely low rate of 3% (Cho 1998, p. 16).

However, on the other hand, the state's control over financial flows, which had been a major method of sustaining its leadership against individual capitals and thereby conducting economic development, seemed to be gradually decreasing. In overcoming the crises in the early 1970s and 1979, during which individual capitals had relied heavily on the informal curb markets rather than heavily regulated commercial banks, in order to release short-term financial pressure, a doubt about the efficiency and capacity of the financial markets based on state-regulated commercial banks spread widely

among individual capitals.⁴⁷ Accordingly, capitalists, particularly the FKI (Federation of Korean Industries), continued to argue for the necessity of financial liberalisation in order to enhance the efficiency of the financial markets (Suh 1991, pp. 132-41). In an attempt to meet the increasing demands for credit and respond to the pressure from capitalists, the state introduced partial liberalisation of the financial market by loosening the direct control of commercial banks and entry restriction on financial industries, although the overall credit control by the state still remained strong. Consequently, although the state was still heavily involved in the management of commercial banks, particularly in appointing higher-rank managers in banks, commercial banks were privatised by the end of 1983 by selling government shares to civil share-holders, each of whom was now allowed to own bank stock within the limit of 8% of the total share. The amendment of the Bank Act in 1982 also loosened the state's control over banks by removing the comprehensive directing authority of the Office of Bank Supervision and 'the Law Concerning Temporary Measures on Financial Institutions', which had been established to prohibit large private shareholders from exercising their voting rights in managerial boards. In addition, the interest rate of loans by commercial banks was partially deregulated.

Most of all, although the gradual decrease in the scale and scope of the policy-based lending also contributed to weakening the government's control over the credit market

⁴⁷ In 1972, the total amount of credit that individual capitals utilised through the informal curb market was reported to amount for 30% of the total credit provided by commercial banks (Son 2001).

(Cho and J. K. Kim 1995, p. 35), it was the development of the capital market and non-bank financial institutions (NBFI) that allowed individual capitals gradually to be free from the state's control over financial flows, that was basically relying on its relatively strong influence on commercial banks. NBFIs, which had firstly appeared in 1974 as a method of attracting funds from the informal curb market, were again significantly liberalised in the early 80s, now providing individual firms, particularly big *chaebols* which practically owned those institutions, with more than 20% of total external funds in 1985, while their dependency on commercial banks decreased. Direct fundraising through issuing corporate paper, bonds and stocks also increased quickly, from a mere 15.1% to 30.3% of the total external funds between 1970 and 1985 (Lee 1998, p. 16). Furthermore, foreign loans guaranteed by the government also decreased quickly enough to make them almost meaningless to individual capitals.

Therefore, while the further development of workers' struggles was clearly undermining the sustainability of the politicised reproduction of the capital relations, the relations between individual capitals and the state also appeared significantly to be changed. As a 'more market-oriented style of economic management', including the liberalisation of the financial sector and opening of the domestic commodity market, was introduced (Haggard and Moon 1993, p. 83), the state seemed no longer to be able to impose an absolute guideline on individual capitals thorough the regulation of financial flows and sustain the methods Park's regime had used for capitalist development. The liberalisation of the market was not limited to allowing individual capitals to seek investment capital without mediation of the state. Restrictions on the operation of foreign banks were also relaxed and the closed commodity market, which

had been attacked by the U.S. since the late 1960s, was gradually undermined by import liberalisation, the development of which became more and more salient after repeated trade friction between U.S. and Korea and the Uruguay Round in 1985. The continual development of the working class's struggles and gradual liberalisation of financial and commodity markets showed that the early formulation of capital relations, which had been based on tough regulation of labour and individual capitals by the state, now reached an impasse of its reproduction. In the second half of the 1980s, class struggles of the working class culminated in the massive emergence of democratic independent trade unions. This development of the struggle continually challenged the politicised reproduction of capital relations, indicating a more radical transformation of Korean society.

Concluding Remark

In this chapter, the history of Korean capitalist development during 25 years from the emergence of the Park regime has been described as a crisis-ridden process of politicised formation and reproduction of capital relations, in which, through the import-substituting, export-oriented, heavy industrialisation and stabilisation, capital relations in Korea were articulated in a specific way, in responding to the global capitalist development as well as the domestic development of class struggle. The early configuration of capital relations in Korea emerged on the basis of the leadership of the state against individual capitals, the state's control over collective labour, and unilateral labour relations at the workplace. The state's dedication to capitalist development and

its control not only over labour but also over individual capitals contributed to naming it a 'developmental state', which is still believed to be a state autonomous from society. Since the 1970s, the Korean state, at the centre of the struggle, has sought to push the early development far further by actively intervening in crises, suppressing labour and exercising its leadership against private capitals by its well-developed institutional channels and forces. As a result of heavy industrialisation, national capital relations appeared to be 'reproduced' in a form that was more appropriate, at first sight, to the changes in the global conditions of capital accumulation, by achieving a fast transformation of industrial structure pursued by the state. The big *chaebols* developed throughout the 1960s and 1970s through this process, dominating the national economy. However, it was also at this time that the state appeared not at all free from the crisis-ridden capitalist development and it faced problems of reproduction that were caused by its direct involvement in class struggle in overcoming those crises. The particularity of capitalist development in Korea, the big chaebols, militant trade unionism and the state's leadership in economic development (far from being autonomous, as we saw) were therefore to be understood as *the forms taken by the politicised formation and reproduction of capital relations*. The subsequent development of national class struggle shows us that the state, while succeeding in leading the reproduction of capitalist social relations of production in Korea, could not resolve the contradictions inherent in capitalist development. Labour, not satisfied with the relatively better life, immanently began to confront state regulation. While the state could not regulate the re-emerging class struggle, individual capitals also no longer willingly followed the state's strategy of development. The decade from 1987 was marked by the resurrection of the

working class movement and declining state power in terms of regulating individual capitals.

Chapter 8: The Development of the Crisis of the Politicised Reproduction of Capital Relations

Introduction

The symptoms of the deconstruction of the early configuration of capital relations by the further development of the politicisation of class struggle and further capital accumulation with growing involvement in the crisis-ridden global capitalist development appeared even before the 1980s, particularly in the form of the crisis of the state in 1979. Whereas the subsequent military government, which came into power after the massacre in Kwangju in 1980, attempted to continue to exercise its power in suppressing the collective power of labour and regulating individual capitals, the overall role of the state in reproducing capital relations and promoting capital accumulation seemed not as effective as it had been during the period of the early formation of capital relations. During the period between 1987 and 1997, this deconstruction of the early settlement of capital relations accelerated, witnessing the increasing liberalisation of financial and commodity markets, in accordance with the growing demands of individual capitals for unregulated financial markets and international pressure over the regulation of commodity markets, on the one hand, and the organised labour movement challenging both unilateral labour relations at the workplace and the state's suppressive labour policies, on the other.

In this period, individual capitals, particularly the *chaebols*, the form which had been taken by the specifically politicised formation of capital relations since the 1950s, became more reluctant to follow the industrial policy favoured by the state. While taking further steps toward the liberalisation of financial and commodity markets, the state repeatedly attempted to regulate labour by sustaining its authoritarian control over collective labour and institutionalising flexible measures introduced by individual capitals toward a restructuring of the labour market, in favour of further capital accumulation. The organised labour movement, on the other hand, developing its domination over individual workers at the workplaces after the Great Workers' Struggle in 1987 and finally establishing a nation-wide confederation of the democratic trade unions, confronted managerial authority at the workplace and the state's anti-labour policies, thereby not allowing a smooth transformation of capital relations at the expense of the working class. The fall of the early configuration of capital relations and the contested transformation of the configuration, amalgamated with the growing tendency to overaccumulation in the global markets, finally expressed themselves in the form of *a general crisis of the reproduction of capital relations*, in which a massive amount of capital was devalued. This chapter will examine the transformation of the form of the Korean state by looking at the process of the deconstruction of the early configuration of capital relations in Korea and the development of the tendencies to a general crisis of overaccumulation.

1. The Development of General Crisis and the Social Form of Capitalist Production

The miracle brought into question

From the early 1990s, Korea's economic development already began to show the symptoms of a serious recession, with the increasing deficit of the balance of payments and foreign debts, particularly in the form of short-term foreign loans that made Korean capitals constantly suffer from re-payment pressure. Also, it had been clear since the great workers' struggle in 1987 and subsequent development of the labour movement that the early cheap-labour-based industrial development was no longer compatible with the growing power of organised labour. Whereas the specific trajectory of capitalist development in Korea already faced its demise, Korea's development trajectory and the strategies of the Korean state began to be focused on as a model of catching-up capitalist development (World Bank 1993). It was not until the emergence of the general crisis in 1997 that the so-called miracle model of Korean capitalist development was brought into serious reconsideration.

It was neo-liberals that reacted most quickly to the emergence of the general crisis, taking advantage of the crisis to confirm the effectiveness of the mighty markets versus state-led development strategies. For neo-liberals, the origin of the East Asian crisis lies in cronyism, which can be symbolised as 'the lack of transparency about the ties between government, business and banks' (Fischer 1998, p. 3). Economic development based on cronyism is marked by political interventions in the market which should

consist only of 'economic matters'. Although state-led development gave Asia 'rapid overall economic growth', 'there was an inevitable limit to how far this specialised Asian economic regime could develop' (Greenspan 1998, pp. 2-3). Even though state-led development seems to have worked well for export-oriented development so far, unprofitable investment has been repeated because banks and non-bank financial institutions offered loans not to profitable corporations but to firms having good connections with government. This expansion of 'irrationally' allowed credit meant that massive financial turmoil could always be caused in the era of free capital in-and-out flow. In short, for neo-liberals state-led development inevitably produces a distorted financial system and it could cause a serious crisis of the national economy.

On the contrary, for statist the crisis occurred not because of the over-intervention of the state but because of the lack of government control over financial markets as a result of the over-liberalisation of the market, i.e., because of the demise of the developmental state regulating the flow of capital. The origin of the crisis, for them, is not the specific form of development but the subordination of the form of development to the power of speculative money, which turned the specific path of development into the vulnerability of the Asian economy. Asian vulnerability, for them, means 'high ratios of bank deposits and loan inter-mediation to GDP, and of corporate debt to equity' that 'makes the financial structure vulnerable to shocks that depress cash flow or the supply of bank or portfolio capital' (Wade and Veneroso 1998a, p. 7). However, a higher debt/equity ratio is not a sin itself. Rather, it naturally developed as a specific path of capitalist development featured by the high ratio of bank deposits and, most of all, the need for large amounts of resources, both of which have been necessary to

assault major world industries. The origin of the Asian crisis, for them, lies not in the high debt/equity ratio itself but in the lack of institutional regulation of credit expansion, the result of which was an unusually high dependency on short-term loans and flight of speculative money capitals.

Although both approaches seem to make some valid points in analysing the crisis, there are still some fundamental questions which have never been asked by either of them. In spite of the different analyses of the 'origin' of its problematic nature, it seems that both neo-liberals and neo-institutionalists understand the financial dimension of the unfolding of the crisis, i.e., the *massive credit expansion*, whatever the reason for it was, as problematic enough to trigger the massive crisis, which destroyed in a few months the most successful model of capitalist development. Furthermore, both of them rely on the same presupposition that the origin of the massive credit expansion, which triggered the 'financial' crisis, lies in the state-market relation, the problematic nature of which, in their approach, follows from somewhere *outside* the social form of capitalist production itself, either from the lack of regulation of the state over the financial market (by neo-institutionalists) or from the non-transparent political arrangement of credit (by neo-liberals). Due to this presupposition, the deeper origin of the crisis, which lies in the very social form of capitalist production, has not been questioned at all. Worse still, since they attribute the origin of the crisis to something outside of the social form of capitalist production, the socio-historical process of the realisation of the tendencies to crisis, which are inherent in the social form of capitalist production, into a real general crisis has also not been investigated, while the unfolding of the crisis has been abstracted from the real development of capital relations through class struggles. The

result is that they both failed to see the general crisis in Korea in 1997 as a crisis of the reproduction of capital relations. In order to penetrate the development of the deeper causes and development of the crisis, we need to overcome the one-dimensional approach to the crisis, in which the crisis appeared to be a mere financial crisis without regard to the crisis-ridden reproduction of social relations of capitalist production as a whole.

The social form of capitalist production and the crisis of capitalist accumulation

For Marx, the possibility of the emergence of a general crisis is inherent in the contradictory social form of capitalist production itself, which shows up in different forms in different stages and forms of capitalist development. In developing the theory of value in his *Capital Vol. 1*, Marx investigated the antagonistic social relations in their most abstract form, the social relations of value-producing labour, the relations of alienated labour. Labour activity, in these exchange relations between producers, becomes abstracted and exists merely as a part of the social labour in order to be exchanged and appropriated as private property, without any concreteness and personal character. However, even in this simple exchange-relation, there is no guarantee that the individual producer's labour embodied in a commodity can be realised according to the amount of labour she or he expended. The produced commodity always exists in the possibility of a crisis of realisation of the labour embodied in the commodity unless the producer meets the socially necessary labour time which, as a part of social labour as a whole, is supposed to be spent on producing the commodity. In developed capitalist production, value-producing relations appear in the social form of capitalist production

in which production for social needs is subordinated to the production of surplus value. In this relation, 'the driving motive and determining purpose of capitalist production is the self-valorisation of capital to the greatest possible extent, i.e., the greatest possible production of surplus value, hence the greatest possible exploitation of labour-power by the capitalist' (Marx, *Capital* Vol. 1, 1990b, p. 449). The contradiction between this subordination of social production to the production of surplus value and its realisation based on social needs appears in the form of 'overproduction' (in the arena of direct production), on the one hand, and in the form of competitive pressure for the realisation of surplus value produced (in the arena of exchange), on the other. However, the competitive pressure and over-production are different aspects of the same phenomenon with regard to the reproduction of capital as a whole, taking the form of the vicious cycle between overproduction and increasing competition. The contradiction between the production of surplus value and its realisation, in other words over-production, is the phenomenal origin of the dynamism pushing individual capitals toward the development of the forces of production to the greatest possible extent, on the one hand, and the crisis, on the other hand. This origin is rooted in the specific social form of capitalist production in which the production of things is subordinated to the production of value (Clarke 1994, p. 285).

Facing the tendency to overproduction and competitive pressure on capitals, individual capitals attempt to overcome the barrier of the market not by meeting the amount of social need but by introducing new methods of production, intensifying labour and extending the working day, so putting more commodities onto the market with the *perspective* of occupying a superior position in the competition, which can

guarantee further production and realisation of surplus value and even appropriation of surplus profit for the most efficient capital, who can reduce his cost below those of his competitors through introducing more productive methods of production (Clarke 1994, p. 281). In doing so, the efficient capitals do not confine their production within the limits of the market but attempt to overcome it by expanding the market, creating new social needs and dominating the existing market. For the less efficient capitals, the increasing competitive pressure is harder to overcome than for the efficient capitals. However, it does not mean that the backward capitals would immediately respond to the limits of the market by liquidating their capital at the expense of surplus value production. It is impossible because 'a substantial portion of their capital will be immobilised in stocks, fixed capital and work in progress' therefore can be liquidated only gradually (Clarke 1990, p. 455). Also, they do not immediately reduce the amount of production planned, which has already absorbed a certain amount of capital invested for employees, fixed capital and raw materials in stock. A certain degree of immediate reduction in production and liquidating capital is the capitalist's last option because reducing the selling prices can cause creditors to rush to ask the capitalist to repay the short and long term credit before further collapse. Furthermore, it is likely to cause a sharp decrease in the price of their stocks and fixed capital. Therefore, at first, the less efficient capitals also try to confront the limits of market by 'expanding their borrowing to continue in production and seeking to dispose of their stocks through aggressive marketing', keeping their selling price and mass of production of commodities and hoping that the fierce competition could be overcome without massively harming their surplus value production (Clarke 1990, p. 456). However, this only confirms and

reproduces overproduction as the general tendency of capitalist production. The superior position of the efficient capital must disappear sooner or later, increasing the mass of commodities in the process of competition. This process is marked also by *the uneven development of the forces of production* between individual capitals and branches of industry, which is also a general tendency of capitalist development in which production for social need is subordinated to the individual capitals' attempts to produce and appropriate more surplus value. This is the rule of capitalist competition and also the origin of the further overproduction which, by intensifying competition, keeps reproducing the tendency to overproduction.

The general tendency and its realisation in a reproduction crisis

However, the general tendency does not have to appear as a devastating general crisis of capitalist accumulation all the time. The sustained accumulation of capital, despite the general tendency to overproduction, relies most of all on 'the ability of capital to suspend the contradiction inherent in the social form of capitalist production' (Clarke 1990, p. 459). Credit expansion is one of the key methods to suspend the realisation of the possibility of a general crisis. Through expanding credit, capital could compensate the general tendency of the development of capitalist accumulation by continually revolutionising the means of production through developing technology, creating new needs, expanding the world market with massive development of trade, without regard to the limits imposed by the competitive pressure and immediate need to realise the produced surplus value. Especially in the economic boom, the massive credit expansion can guarantee capital to temporarily overcome 'the barrier to the

accumulation of capital through providing finance for new ventures, and sustaining unprofitable capitalists through periods of difficulty' (Clarke 1990, p. 461).

The expansionary development of Asian economies, particularly from the late 80s, including that of Korea, has been based on this credit expansion from financial capitals in the developed countries. The demise of the Bretton Woods system in the 1970s marked the end of capital accumulation based on the social relations sustained by Keynesian development, which has been formulated by a certain development of class struggles between organised labour and the capitalist class in the form of a corporatist system in developed countries. The end of the Keynesian era was also accompanied by the emergence of huge money capital, which 'flows in search of speculative, often very short-term means of expansion' rather than stick to productive investment within the mother-nations suffering from greater exploitation costs and growing competitive pressures in the commodity market (Holloway 1996, p. 132; Bonefeld 1996). The existence of the huge speculative money capital shows us 'the supply side of the credit expansion' and thereby how the massive expansion of credit, which was 'available at rates of interest that were below domestic rates' and even encouraged by international monetary institutions till the last moment of the onset of the crisis, was possible (Patnaik 1999, p. 59). The private capital inflows to Asian NICs, which had continually increased in search for more profitable and often speculative investment since the 1980s and enabled individual capital in the region to continue to attempt to overcome the limits of the market, shows nothing but international money capital's struggles for a better deal.

Then, it seems true that, during the unfolding of the general crisis in 1997, the dependency on short-term loans to a great extent accelerated the development of the Korean crisis by very quickly smashing the availability and accessibility of further credit expansion. However, this does not mean either that the massive credit expansion with its speculative feature is the 'origin' of the crisis or that therefore the crisis was a mere financial crisis. Rather, credit expansion is one of the prime measures by which capitals could avoid a realisation of the development of general tendencies to crisis into a real general crisis. Indeed, however, although credit expansion can 'suspend' the emergence of the contradiction, it does not mean that credit expansion can 'resolve' the contradiction and prevent its emergence in a 'more devastating crisis in the future' (Clarke 1991b, p. 126). Through suspending the emergence of contradiction in the form of crisis and through confining the tendency to overproduction within the limits of sustainable capitalist accumulation accompanied by relatively smooth liquidation of a certain part of capital, most of which are backward capitals, capital is continually accumulated and necessarily and continually takes *the form of overaccumulation*. In the process of suspending the emergence of the contradiction of the social form of capitalist production in the form of the general crisis, the possibility of the crisis could increase and the width and depth of the emergence of the contradiction in the form of the general crisis could even grow.

The effectiveness of the measures designed to mobilise countertendencies to a general crisis, such as credit expansion, the introduction of new means of production, creation of new needs, aggressive marketing, slow liquidation of less efficient capitals and, most of all, tightening of labour control, is mediated by the process of the

reproduction and restructuring of capital relations. That is to say, attempts to overcome the crisis tendencies by mobilising measures for counter-crisis tendencies, including credit expansion, are accompanied by and *realised only through the development of class struggle*. Here, it is in this sense that the development of the crisis cannot be abstracted from the development of class struggle. When the class struggle of the working class develops to the extent that it threatens the smooth reproduction of capital relations in favour of capital accumulation, the continuous attempts of the state and capitals to restructure capital relations, through taking appropriate measures to promote further capital accumulation, could face more explicit forms of class struggles, rather than establishing a new basis of accumulation that could possibly overcome the unfolding of the tendency to crisis. The period between 1987 and 1997 was marked by these more explicit forms of class struggle, rather than by a successful reconstruction of the basis of capital accumulation.

What the development of the general tendency to the crisis of overproduction and overaccumulation on the basis of credit expansion shows us is the growing ‘possibility’ of a general crisis, not a necessity. In other words, even though it is right that the possibility of a general crisis is inherent in the social form of capitalist production and the contradiction inherent in it appears in the form of the general development of overproduction and competition between individual capitals, the possibility does not explain the specific necessity of the crisis in Korea. In other words, the realisation of the general tendency to crisis into its emergence in given nations or regions is not immediately given by the general economic law but necessarily mediated by the historical development of capitalist social relations, the continual reconstruction of

which aims to avoid the realisation of the possibility of a general crisis. Indeed, it is in this sense that the massive credit expansion in Korea, in spite of the visible risk coming from its speculative nature, is to be understood as an *expression* of the development of a reproduction crisis, during the development of which Korea's capitalist development suffered from both growing class struggle from the working class and the development of the tendency to overaccumulation in the global market. In order to understand fully the development of the crisis, therefore, we must understand it in the context of the development of the reproduction of the social relations of capitalist production as a whole rather than understand it as a product of the conflicts between capitals or that of a mechanical development of the tendency to overproduction and overaccumulation. In short, the development of the (economic) possibility into the (social) necessity needs a closer look at the reproduction of the social relations of capitalist production through class struggle, which conditioned and mediated the relation between the possibility and historical necessity of the crisis. In order to understand the unfolding of Korea's general crisis in 1997, it seems necessary to go back to the further development of the politicised reproduction of capital relations in Korea in the 80s.

2. The Deconstruction of the Politicised Reproduction of Capital Relations

Democratisation and the second crisis of the state

The transitional period between 1987 and 1997, marked by intense struggles between capitals, the state and labour around the further development of the configuration of

capital relations, began with the second crisis of the state in 1987. In the mid-80s, Chun Doo-hwan's Fifth Republic faced increasing challenges, not only from industrial unrest by the workers' movement, but also from resistance led by students, the *Minjung* movement and the political opposition that demanded political liberalisation. Growing aspirations for democratisation appeared in the general election in 1985, in which, despite an obvious lack of transparency in the election process, the New Korean Democratic Party, led by two outstanding opposition leaders, Kim Dae-jung and Kim Young-sam, successfully became the first opposition party, by aggressively arguing for political liberalisation through renewing the constitution that had prohibited the mass of the population from exercising their voting rights in presidential elections since the *Yushin* Constitution. While the new opposition party, after the successful general election, attempted to push forward the amendment of the constitution through political negotiation with the Chun Doo-hwan government, Chun's government began to tighten its heavy-handed suppression over the student and *Minjung* movement that tried to achieve democratisation through more radical struggles, by arresting and torturing the leaders of those movements.⁴⁸ In January 1987, struggles against the military government were accelerated after a university student, Park Jong-chul, was found tortured to death by security police. In spite of the growing aspiration of people for

⁴⁸ The best example of the extreme suppression can be found in attacks on a demonstration, held in Geonkook University in October 1986, by more than 8,000 riot police. Over three days of occupation struggle in Geonkook University, more than 1,200 students were arrested and prosecuted.

democratisation, President Chun Doo-hwan announced on 13th April that there would be no amendment of the constitution before the Seoul Olympic Games in 1988.

The military government's final blow, in continuing to utilise its suppressive measures on the mass of the population, prompted a massive democratisation movement, reminiscent of the last days of Park's regime in 1979 after repeated emergency measures. Now the two oppositional leaders, Kim Dae-jung and Kim Young-sam, established a new party, the Reunification Democratic Party, by splitting from the New Democratic Party, the official leadership of which still wanted to resolve political tension through negotiation with the military government, and joined the student and *Minjung* movement. In June, over five million citizens occupied streets, attacked city and town halls and disarmed riot police on the street in all major cities and towns, in spite of Chun's government's warning of military intervention. Finally, on 29th June, the leader of the ruling party, the Democratic Justice Party, Roh Tae-woo, announced that the government had decided to admit the demands for democratisation by allowing a direct presidential election in the year of 1987, liberalisation of political activities and media, independence of universities and amnesties for those arrested and imprisoned during the democratisation struggles.

Whereas the first crisis of the politicised reproduction of capital relations in the form of the crisis of the state was stabilised by the emergence of another military regime in 1980, overcoming of the second crisis of the state in 1987 required at least a formal democratic reform, showing the degree to which the politicised class struggle developed in spite of the repression by the military government during the early 1980s. Indeed,

although a formal democratic reform could stabilise the nation-wide democratisation movement by the end of June 1987 and, therefore, enabled the state to avoid the development of its crisis into a more devastating phase, the crisis of reproduction this time did not appear only in the form of political crisis. Rather, it developed into a more dramatic transformation that was provoked by the subsequent workers' struggles in the summer of 1987, during which the whole basis of unilateral labour relations at the workplace, and, therefore, the social settlement of capital accumulation which had developed in the 1960s and 1970s, was critically undermined. It is important to notice that the working class' struggle in the summer of 1987 was distinguished from the democratisation movement, in which resistance against the forms of capitalist social domination appeared in the demands for formal 'citizenship' and political rights of the working class as individual citizens. The massive explosion of the democratisation movement in 1987 was itself a direct result of the politicisation of class struggle that had developed on the basis of the early configuration of the capital relations, the reproduction of which relied heavily on the state's suppressive regulation of the working population. Now, the heyday of the early settlement of the capital relation had ended because of the very same nature of the reproduction of capital relations that had brought at the beginning a fast and effective capitalist development and capital accumulation. The crisis of reproduction, in the form of the crisis of the political regime, itself appeared to be overcome by a formal democratic reform. However, the more significant consequence of the politicised class struggle was that it offered at the end a perfect opportunity by creating a massive political unrest, out of which class antagonism could explode. Struggles in the summer of 1987 showed the antagonism between capital

and labour for the first time as class antagonism *per se*, neither as a human-rights issue nor as a democratisation issue, as the struggles provoked by labour issues had been since the 70s. It is in this sense that the struggle of the summer of 1987 was a critical moment of the transformation of capital relations in Korea.

The Great Workers' Struggle and emerging crisis

The Great Workers' Struggle in 1987 began, not in Seoul, the political heartland, but in the southern city of Ulsan, the most intensive heavy industrial town in Korea. From the mid-1980s, workers' attempts to establish democratic trade unions had already begun with organising small reading groups and fraternal circles in heavy industrial firms, such as Hyundai's heavy industry enterprises in Ulsan and Daewoo Ship-building in Geoje Island (CKTU 1997; Lee 1994). Now, while the democratisation movement reached its peak in the second half of June 1987 and resulted in the weakening of the overall effectiveness of the state's role in regulating labour relations, workers in Hyundai's heavy industry firms began to accelerate their attempt to organise democratic trade unions. Facing those attempts that were initiated in the Hyundai Engine Industry, Hyundai management, in a vain attempt to prevent the struggle from spreading into other firms, shut down factories, established 'paper unions' in Hyundai Heavy Industry and Hyundai Motors Car, employed save-the-company squads and utilised other attacks on union leaders. However, the more the Hyundai management deployed extreme methods to stabilise the situation, the more explosive the struggles became. The city of Ulsan was overwhelmed by Hyundai workers mobilising mass demonstrations and occupying the factories and city hall, over a period of one month from mid-July. The

government was so flustered that it lost its control over the city. Through the intense struggle against the management, all Hyundai's firms, including Hyundai Engine Industry (14th July), Hyundai Ship-building (17th July), Hyundai Heavy Industry (19th August) and Hyundai Motors Car (28th July), succeeded in establishing democratic unions with the dramatic support from rank-and-file workers, within less than two months, after over 30 years of non-union history at Hyundai even if the president of Hyundai repeatedly declared its no-union policy as a supreme principle of management (Yu 2001, p. 95). Workers' struggles quickly spread into other industrial areas all over Korea. A total of 3,311 labour disputes occurred during the three-month period from July to September 1987 and over 1.2 million workers took part in the struggles (Rho 1997, p. 186).

While the primary demand of workers in the struggles of the summer of 1987 was for pay rises, in all labour conflicts, at least four other issues of workplace labour relations, such as inhumane treatment and discrimination between manual and non-manual workers, were raised together with an increase in wages (CKTU 1997, p. 162; Kim, D. C. 1995, pp. 101-3). Those various issues reflected the nature of workplace labour control that prevailed in the heavy industrial sectors and included a reduction of working hours, liberalisation of dress code and hair style, elimination of compulsory morning exercise and the termination of arbitrary job evaluation by foremen (Koo 2001, p. 160). In many cases, workers did not negotiate before calling for collective actions. It was very usual that a labour dispute took the form of strike-first-talk-later during the summer of 1987 (Kim, D. C. 1995, p. 107), involving strategies of walkout, occupation and demonstration without regard to the legal process, either because employers did not

recognise the representativeness of the unions or because the leadership of strikes and other conflicts was often different from the union leadership. Due to this nature of labour conflicts, during the summer of 1987, only 5.9% of all labour disputes were legal and 94.1% of the disputes occurred without regard to the legal process (CKTU 1997, p. 164). Many unions were established, therefore, not before but in the middle of the development of labour disputes, often accompanying rank and file's distrust of the existing union leadership. Neither individual capital's control nor state power seemed to be able to stop the explosion of labour disputes and workers' aspiration for democratic trade unions in the summer of 1987. The state could not respond to the labour struggle in the same way it had done before. During the summer of 1987, the state hesitated to intervene in labour disputes, unprecedentedly emphasising 'resolution by negotiation between employers and employees' and arguing that 'forced labour-employer agreement by government intervention could not bring an ultimate resolution for the labour disputes' (Interview with Labour Minister, Donga Daily Newspaper, 13th August 1987). Capital also appeared to recognise that it was necessary not to deny the existence of trade unions and accept workers' demands to a large extent in order to resolve the imminent problems at the workplace (Korean Federation of Businessmen, Jungang Daily Newspaper, 11th August 1987).

The Great Workers' Struggle firstly was a watershed of the quantitative development of the workers' movement, which appeared in the increase in number of unions and union members that respectively increased from 2,658 to 7,883 and 1,036,000 to 1,932,000 between 1986 and 1989 (Koo 2000, p. 231). Noticeably, the number of trade union explosively increased from 2,742 to 4,103 during the Great Struggle in 1987,

accompanying the increase in union density from 14.7% to 17.3% in the same period (Kang and Cho 1997, p. 32). However, even these extraordinary figures underestimate the qualitative development of the working class struggle by ignoring the changing nature of labour relations at the workplace before and after the struggles. As seen above, those newly established unions were organised in the process of the struggles against the pro-capitalist unionism of the FKTU and against the state's interventions in workplaces. Reflecting this characteristic of the new independent unions, industrial disputes sharply increased after the struggle. The annual average number of industrial disputes for a decade since 1987 was five times as many as for the decade before 1987, from 174 between 1977 and 1986 to 846 between 1987 and 1996 (Koo 2000, p. 231). In addition, after the summer of 1987, workplace labour relations showed 'a significant shift in the balance of power on the shop floor' (Koo 2000, p. 232). Collective bargaining, which had been largely ignored or conceived as a merely formal procedure between pro-capitalist union leaderships and capitalists, now became a necessary procedure that capitalists had to go through in order to implement managerial decisions. The result was that capitalists could no longer exercise the maximised managerial authority 'to make unilateral decisions about wage and employment conditions' and now had to reach agreements with the trade union through collective bargaining (Koo 2000, p. 233). In so doing, trade unions began to penetrate the managerial decision-making process through increasing 'union involvement in various type of personnel management policies', including 'discharge, discipline and transfer' (Jeong 1997, p. 60). This union's encroachment on managerial authority appeared in the unions' attempt to take a portion of seats on the board of personnel management and discipline and to

undermine the organisational structure and hierarchy at the workplace by enhancing unions' workplace organisational structure and juxtaposing it with the one of capital (See Rho 1995, pp. 42-3). What these unions' increasing encroachment on managerial power subsequently caused was the beginning of the demise of the barrack-like labour control on the shop floor, which had developed through a military-like organisational structure and system of command and discipline, under the condition of direct control of the state over the power of collective labour (Rho 1995, p. 42. See also Park 1996).

By the end of the 1980s, neither capital nor the state was able to return labour relations to their form before the struggles of the summer of 1987. As many unions succeeded in achieving record-breaking wage increases as well as favourable working conditions, the cost of exploitation also sharply increased. This means that the development of the labour movement after 1987 led to a swift deconstruction of the politicised reproduction of capital relations in Korea. A smooth reproduction of capital relations, as we saw above, basically requires the smooth operation of the movement of the inversion of the social relations of capitalist production between antagonistic classes into technical relations between different sources of revenue through capital-forms. This inversion, drawing on the abstract nature of capitalist domination, is the primary form of the reproduction of capital relations and, however, can become problematic when the working class finds itself increasingly being exploited and questions the legitimacy of the inverted social relations. As a moment of inversion of the social relations, the capitalist state contributed to the possible smooth operation of the inversion of the social relations by translating the unequal relations between classes into political relations between equal citizens, on the one hand, and suppressing the working class, if possible,

within the legitimated boundaries through enforcing laws, on the other. As we saw above in the early politicised formation and reproduction of capital relations in Korea, the reproduction of capital relations appeared to be relatively smooth, in spite of the unilateral labour relations at the workplaces and the state's strong anti-labour policies, on the basis of the specific resolution of the class conflicts over the Korean War and the nationalistic government dedicated to the nation's modernisation, regulating both individual capitals and labour. However, this also accompanied the politicisation of class struggle, in which the state had to intervene directly in response to the increasing resistance of the working class. In the late 1970s and 1980s, we witnessed the increasing difficulty in the operation of the inversion of social relations and therefore in the reproduction of capital relations in favour of further capital accumulation. The first expression of this difficulty of reproduction was the crisis of the state in 1979, in which the so-called developmental state faced its apparent limit. The first crisis of reproduction, which had been temporarily overcome by another military coup in 1980, was however followed by the continuous development of the organised labour movement while the early settlement of capital-state relations also began to crack. The upsurge of labour in 1987 now confirmed that the difficulty of the reproduction of the early settlement of capital relations, which was manifested for the first time concretely in the crisis of 1979, was not a mere temporary one but an expression of the development of a more fundamental problem.

The State, capital and labour: toward new forms of labour control

In spite of the swift declining of the unilateral labour relations at the workplaces after 1987, the deeply developed crisis of reproduction of capital relations did not appear immediately in a general crisis of capital accumulation largely due to Korea's so-called three lows (low oil price, low value for the South Korean Won and low international interest rate) boom, creating a massive profit in exports and bringing a record-breaking current account surplus, \$4.709 billion in 1986, \$10.058 billion in 1987, \$14.505 billion in 1988 and \$5.360 billion in 1989. This export boom enabled individual capitals to afford the increasing investment in fixed capital, which grew 341% between 1984 and 1987 (Lim 1998, p. 47), and to cover the massive increase in wages. However, expansion in this boom was marked by a massive increase in the volume of production of commodities through investing a large part of the surplus in the quantitative expansion of the means of production, which occupied almost 70% of total investment in plant and equipment, rather than by introducing new means of production for improving productivity and decreasing employment (Lee and Ryu 1993, p. 64).

It was at the end of 1989 that symptoms of crisis appeared. To sustain the enlarged scale of the production of commodities and cover the increasing cost of exploitation, individual capitals continually needed capital to invest in their reproduction. However, this continual reproduction also presupposes the continual realisation of the produced commodities, the successful realisation of the surplus value in competitive markets. However, what Korean capitals faced from late 1989 was increasing competitive pressure in global markets as well as growing pressure from increased wages, both of which functioned as barriers to the export growth necessary to sustain the enlarged

production scale. This increasing competitive pressure in the market was accelerated by the newly industrialised nations (NICs) and subsequently China, and growing protectionism in developed countries, particularly in the US, which, after suffering from the massive trade deficit with Korea during the boom, began to attempt to protect the commodity market through 'employing the newly created Super 301 section of its Omnibus Trade and Competitiveness Act of 1988' and pointed to Korea as 'unfair traders' (Burkett and Hart-Landsberg 2000, p. 157). Also, 'the upward revaluation of the South Korean Won by almost 16% in 1988' again harassed Korean capitals (Hart-Landsberg 1993, pp. 237-8). The result appeared firstly in the decrease in exports. The export growth rate fell from 28.4% in 1988 to a mere 2.8% in 1989 and 4.2% in 1990. This again caused a balance of payments problems, with a growing deficit on current account, \$2 billion in 1990, \$8.3 billion in 1991, while foreign borrowing also began to increase again from 1990.

Facing these barriers, individual capitals, recognising it was no longer possible to overcome the slowdown only at the expense of the working class, began to accelerate the introduction of new means of production, which could change the labour-intensive character of the industries to a more capital-intensive one and thereby enable individual capitals to 'avoid being involved in massively growing labour conflicts from 1987' (Song 1998, p. 268), through the import of capital goods for both existing major industries and newly emerging hi-tech industries. Also individual capitals attempted to change the items of exports, which could avoid the trade conflicts, and brought more capital investment in hi-tech industries, such as the semi-conductor industry. Accordingly, the investment in fixed capital was focused on investment in introducing

new products, the automation of the labour process, including computerised control, and R&D rather than the quantitative expansion of equipment. As a consequence, while investment in the quantitative expansion of equipment grew only 14.3% between 1988 and 1991, investment in developing new production (142%), automation (120%), and R&D (73.4%) grew massively in the same period (Korea Development Banks 2001). A large part of the surplus realised in the boom was invested, avoiding the growing difficulties in making profits thorough exporting industrial products, also in land speculation, which was also an effective means for making it easier to get credit from financial capital, and in the short-term finance market (Hart-Landsberg 1993, pp. 239-40; Yu 2001, p. 160).

In addition to labour-saving automation, individual capitals also attempted to recover their managerial authority on the shop floor by introducing new labour regulative measures. First of all, individual capitals began to either establish or strengthen managerial departments and specialised teams dealing exclusively with labour-related problems in their firms. In 1989, more than 69% of firms had a department specialised in labour regulation, in contrast to a mere 53 % of firms in 1987, while the influence of the department on managerial decisions was also substantially enhanced (Kim, H. G. 1997, p. 163). Furthermore, employers began to introduce a 'new personnel management strategy', which aimed at isolating newly established trade unions by promoting cooperative employment relations. New personnel management emphasised 'human relations' and 'company culture', which were designed to promote a common identity based on the company as a community, among the workers (Park 1995). Regular consultation meetings between personnel managers and individual workers

were set up at various hierarchical levels, in order to make it possible for management to notice the problems in the workplace before the trade unions do (Park and Cho 1989, p. 57). Small-group discussions, in which individual workers could make suggestions for workplace welfare as well as productivity enhancement to shop-floor managerial authority, were also activated while various educational programmes, with particular emphasis on the nationalist agenda, anti-communism, national economic hardships, and the relative superiority of the firm to other companies, were introduced in many firms (Park 1995, pp. 14-5). Likewise, it was at this time that the Korean *chaebols*, in an attempt to replace the seniority-based wage and promotion system with a merit-based wage and promotion system (Kim, Y. C. and Moon 2000, p. 57), began increasingly to experiment with the 'ability wage and promotion scheme' in which, although pay rises and promotion were based mainly on seniority, evaluation of individual job-ability determined a significant portion of the pay rise as well as eligibility for promotion (Park 1995, p. 7). These new forms of workplace labour regulation were widely spread, especially in the electronic-electrical industry, e.g., at Goldstar, Daewoo Eletronics, Samsung SDI (KLISP et al. 2000).

While those new management strategies were focused on integrating individual workers into managerial decision making processes and thereby separating them from the newly established democratic unions, they also included policies against the newly established democratic unions. In order to hinder workers' involvement in unions' collective actions, 'no work, no pay' became a principle of labour-management in large-scale firms, such as Daewoo Shipbuilder (Kim, Y. C. and Moon 2000, p. 57; Park and Cho 1989, p. 75). If labour disputes occurred, employers often boycotted collective

bargaining and hired substitute workers during the labour disputes, rather than faced union leaders. However, whereas employers ignored democratic unions and attempted to discourage workers from being involved in union activities, this does not mean that they completely ignored the existence of unions. Rather, they encouraged more cooperative workers to take over the union leadership by offering them financial and organisational support. Therefore, those cooperative workers could enjoy privileges and mobilise anti-union organisation while democratic union leaders were suffering from surveillance and discipline.

While individual capitals introduced various labour-management strategies for the first time since the start of capitalist development in Korea, the state began to confront the labour movement more aggressively after the presidential election in December 1987, in which Roh Tae-woo, the successor of Chun Doo-hwan, narrowly won against two oppositional candidates, Kim Dae-jung and Kim Young-sam who separately attempted to win the presidential election after splitting from each other in the process of 'candidate unionisation'. The state's first aggressive attempt, after 1987, to again tighten its control over the labour movement appeared in its fast and violent response to the strikes in Pungsan Metal Industry (January 1989) and Hyundai Heavy Industries (December 1988 – April 1989), following President Roh's special statement on public security on 28th December 1988, which made it clear that his administration would not hesitate to intervene in matters disturbing national security and public order. In the aftermath of the statement, the state began systematically to re-deploy suppressive measures against the labour movement. On the one hand, Roh's government attempted to stop the further development of the labour movement at national level by setting up a

'national security investigation headquarter' dealing with labour disputes (Yu 2001, p. 200) and subsequently exercising a veto against the proposed bill by parliament for a new labour law, which was likely to reflect the developments after the summer of 1987 by removing some of the notorious articles, such as prohibition of third party intervention, prohibition of political activity of unions and ban on the unionisation of public servants. On the other hand, the government also attempted to strengthen its control over enterprise unions at the individual enterprise level, by offering financial subsidies to individual capitals, which effectively stopped further development of labour disputes, and tightening daily surveillance on the unions in 158 targeted firms (Yu 2001, p. 201). In the following year of 1990, Roh's government succeeded in founding a firmer political basis for more aggressive labour control by obtaining a majority in parliament as a result of the establishment of the Democratic Liberal Party through a three-party merger. Having seen all of them, it was apparent that the state's labour policy was returning to one based on direct and suppressive labour control, which had marked the early formation of capital relations.

However, although the state's labour policies aimed to intervene directly in labour disputes by utilising authoritarian measures, this does not mean that the effectiveness of the politicised reproduction of capital relations was resumed. Quite the opposite, the resumed authoritarian control over collective labour appeared rather to contribute to the growing militancy of the democratic unions, than stabilise it. In spite of this policy return from 1989, democratic unions were now establishing and developing regional and national-scale solidarity among them. After the Great Workers' Struggle, newly established or 'democratised' enterprise unions, often seeking help for very practical

reasons, such as information about collective bargaining procedures, or developing solidarity struggles on a regional basis, began to develop regional solidarity among the firms in the same industrial towns and cities. Beginning with the establishment of the 'Council of Unions in Masan and Changwon' in December 1987, a total of 11 regional trade union councils were organised by the end of 1989 (CKTU 1997, pp. 347-86), including a quarter of a million workers. At the same time, workers in the health service, media, banks, schools, utilities, construction, publication and universities established 13 occupational leagues, comprising 173,000 members (Yu 2001, p. 174). Moreover, 14 regional councils and 2 manufacturing occupational leagues (publication and construction) finally established the Council of Korean Trade Unions in January 1990. This council represented 'the democratic trade union movement as opposed to the yellow trade unionism of the Federation of Korean Trade Unions' (Kim, S. K. 1994, p. 1) as a symbolic centre of the democratic trade union movement. While the CKTU represented the development of democratic trade unions in small and medium size companies, workers in big conglomerates (*chaebols*) established their own umbrella unions, e.g., the GFHTU (General Federation of Hyundai Company Trade Unions) and the CLCTU (Council of Large Companies Trade Unions). Also, non-manufacturing occupational leagues succeeded in establishing the NCTF (National Conference of Occupational Trade Unions). Those organisations again succeeded in establishing the National Conference of Trade Union Representatives in 1993, as a bridgehead of organising an united federation of democratic trade unions, including 1,145 democratic trade unions and some 400,000 union members (Kim, S. K. 1994, p. 5). In this period, in spite of a decreasing number of labour disputes, the struggles of militant unions

developed organisationally and strategically and in a way in which the individual capitals found themselves in increasing difficulty to reorganise labour in accordance with newly introduced personnel management strategies. In spite of the policy return, the further development of the labour movement also made it clear that the state found itself in transition by losing its effectiveness in suppressing labour and thereby contributing to the reproduction of capital relations in favour of capital accumulation.

3. Deepening of the Deconstruction and the Emergence of the General Crisis

Growing competitive pressure, liberalisation and credit expansion

During the slowdown from 1989, individual capitals attempted to overcome the barrier of exports aggressively by investing in new means of production, developing new products and R&D. However, those attempts were not successful. While the import of capital goods for new investment continued, export growth continually slowed, showing mere 2.8% growth in 1989 and 4.2% in 1990. Although the growing domestic market, in accordance with the increasing income of the working class, contributed to sustaining economic growth, it also caused a rather massive increase in the import of consumer goods, which more than doubled between 1988 and 1991. As a consequence, the current account returned to deficit from 1990 and reached \$8.317 billion deficit in 1991, which was the worst in decades. After a short retreat between 1992 and 1993, during which overall economic growth was the lowest after the Second Oil Shock, Korean capitals again aggressively attempted to overcome the already well developed

crisis, inspired by a short brisk market, which brought a slight current account surplus, largely due to the low Japanese Yen and decrease in imports, in 1993. During and in the aftermath of the boom in the mid-1980s, individual capitals managed to increase capital investment to sustain the enlarged mass of production of commodities in the traditional industries and launch new industries such as semi-conductors, on the basis of the massive surplus in the boom. However, further aggressive investment by Korean capitals after 1993, the total of which grew 56.2 % in 1994 and again 43.5 % in 1995, was possible only through massive credit expansion based primarily on foreign-loans, which grew 78.6 % in the same period, through various financial institutions. It was at this time that the state's leadership against individual capitals, which had developed as a moment of the politicised reproduction of capital relations since the 1960s, finally appeared to melt down.

As we saw before, the state's leadership against individual capitals relied practically on its overall role in guaranteeing the subordination of the mass of the working class to capital through its repressive control over collective labour, on the one hand, and its control over financial flows through nationalised banks and financial institutions, on the other. As the crisis of the early configuration of capital relations and of the politicised reproduction of capital relations developed further, by the early 1990s, the overall role in reproducing the subordination of the working class to individual capitals was seriously damaged so that individual capitals no longer relied on the state's control over the working class, rather developing other measures to regulate the collective power of labour. Another symptom of the decline of the early settlement of capital relations appeared in the fact that the influence of the state on financial flows appeared to be far

weakened as individual capitals now attracted external funds primarily through direct funding, such as stocks and bonds. In 1992, this direct funding already accounted for more than 40 % of the total external funds (Cho 1999, p. 10). Furthermore, funding through commercial banks, which were still by and large under the influence of the state intervening in the managerial process, decreased continually to a mere 15.1 % of the total external funding of the individual capitals in 1992. By contrast, the *chaebols* successfully increased their domination over financial flows by controlling the non-bank financial institutions, such as short-term investment finance companies and merchant bank corporations, which provided capitals with more than 21.1 % of their total external funds already in 1992 (Cho 1999, p. 10). Noticeably, more than 43.6 % of total borrowing from these NBFIs in 1992 was provided to the 30 largest chaebols (Kim, S. J. 1998, p. 96). Foreign borrowing subject to government's guarantee also now appeared not to be meaningful, occupying a mere 5% of the total funds (Lee 1998, pp. 25-6). All of these meant that the state's control over financial flows, as the basis of its leadership against individual capitals, virtually disappeared as the financial flows under government control were already only slightly more than 20 % in the early 1990s.

In order to meet the massive demands for external funds in the attempts of capitals to overcome the growing hardship through aggressive investment, financial liberalisation was even accelerated in the mid-1990s by Kim Young-sam's civilian government, in the pursuit of *Segehwa* (globalisation) policies, by allowing a further relaxation of control on foreign borrowing, through liberalising the establishment of private merchant banks and finance companies, and practically abandoning control over the exchange rate and investment co-ordination, which had been a feature of the selective promotion of

industries (Chang 1998, pp. 226-7). Moreover, Kim's government pledged 'deregulation of interest rates in almost all areas from 1993 to 1997, starting with deregulating interest rates on all loans except for policy loans, all long-term deposits, and corporate bonds and so forth in 1993' (Lee 1998, p. 22). These liberalisation policies finally allowed a steep increase in foreign loans, which more than doubled between 1993 and 1996, showing particular dependence on short-term loans which reached 58.3 % of total external borrowing in 1996 (Cho 1999, p. 15).

However, in spite of the aggressive investment on the basis of massive credit expansion, it was not likely that Korean capitals could recover from the recession. Although economic growth recovered slightly with the help of credit expansion, showing 8.6 % of GDP growth in 1994 and again 8.9 % in 1995, the deficit on current account reached \$8.5 billion in 1995 and \$23 billion in 1996, following devaluation of the Yen which followed from the agreement between the U.S. and Japan in 1995 (Lee, B. C. 1999, p. 123). Now, the ratio of net income to sales in manufacturing fell to a record-breaking low 0.53 % in 1996 largely due to the increasing pressure of repayment (Korean National Statistics Office 2002). It was at this time that the dependence of capital investment on foreign loans, which grew from \$31.7 billion in 1990 to \$104.7 billion in 1996 with a high dependence on short-term loans, reached a critical point.

Class struggle in the deepening crisis

In the meantime, in a desperate attempt to restructure labour relations by retaining the effectiveness of controlling labour, Kim Young-sam's civilian government also launched a range of quasi-corporatist measures to restructure labour relations. Firstly,

the state attempted to implement income policies, not through the unilateral 'guidelines' which had been used by the military governments, but through a form of social contract between labour and capital. As a result, social wage contracts between the FKTU and the KBF (Korean Businessmen Federation) were introduced in 1993 and 1994. However, the social contract policy was soon to be abandoned since 'many companies and enterprise unions ignored the targets or circumvented them by restricting their application to the basic salary, but not observing them for the bonus or other special allowance' (OECD 2000b, p. 58). Instead, those two organisations together announced a declaration for industrial peace in 1995, 'promising co-operation for national economic development' (Gyunghyang Daily News, 31 March 1995).

However, the fact that the state attempted to integrate trade unions into a corporatist social contract did not mean that the state gave up violent regulative measures. In fact, forceful suppression by the state appeared again as the main measure to regulate labour. Beginning with the violent intervention in the strike in Apolo Industry in 1993, forceful direct interventions smashed major strikes of the militant unions, e.g., the KLC (Korean Locomotive Workers Council) strike in April 1994 and the Seoul and Pusan Subway Trade Union, Kumho Tires, Daewoo Machinery and Electronics, Shinil Steel, Pusan Marinol Hospital and the Korean Telecom Trade Union strike.⁴⁹ Meanwhile, the state and capitalists emphasised that the national economy was in crisis and took advantage of this as an effective ideology to force unpaid labour by means of nationalistic

⁴⁹ In particular, Korean Telecom workers' strike was alluded to as an attempt to overturn the nation by President Kim Young-sam in a special media conference in 1995.

movements, e.g., 'the national movement for 30 minutes more working' and 'campaign for 10% increase in national competitiveness'. However, in spite of the state's forceful control, the CKTU finally succeeded in establishing a confederation of democratic trade unions, the KCTU (Korean Confederation of Trade Unions), merging with the NCTFU and integrating the unions in *chaebols*. In so doing, unions established on the basis of 'democratic trade unionism' have been unified under a single leadership of the KCTU, for the first time in the history of the Korean labour movement.

Meanwhile, the state also initiated its attempts to reconstruct labour relations by pursuing the flexibilisation of labour, which was believed to be the critical method of overcoming the declining competitiveness of exports. Initiated by the Ministry of Trade and Industry in 1990, discussion about labour law reform was focused on enhancing the flexibility of hiring, dismissing and scheduling labour forces, through allowing the dispatch of workers, the substitution of labour during industrial conflicts and introducing flexible working hours arrangements. Indeed, at the same time, it attempted to introduce more strict restriction on union's collective actions by 1) setting up a list of legitimate reasons for which unions can go on strike, so that, if they are not adhered to by unions, the central labour committee could order unions to stop labour disputes, 2) prohibiting involuntary involvement in union activities, 3) restricting the eligibility of the union leadership and 4) prohibiting strike action unless more than three-quarters of the membership agreed. Most of these measures were included in the revised bill proposed by the Ministry of Labour in 1991. In addition, the proposed bill included introduction of the so-called 'total wage system' which was designed to more effectively slow down pay rises by regulating all forms of payment as a total so that pay

risers caused by increase in different parts of the wage, for example bonus or extra pay, could be centrally regulated by government. The aim of this labour law reform was clearly to mix control of individual workers on the basis of a flexible labour market with authoritarian labour control based on the repressive control over trade unions. Therefore, the state's repressive control over trade unions was to be sustained, not allowing the independent unions to be legally recognised. Not surprisingly, this proposed bill faced strong oppositions from workers establishing the 'Joint Committee for ILO Issues and Labour Law Reform' and was forced to be withdrawn. In the early 1990s, although individual capitals attempted to intensify labour through developing new management strategy further at the work places and the state attempted to tackle the development of the working class struggles, those attempts produced no outcome satisfactory enough to overcome the crisis-ridden development. While the productivity of manufacturing labour showed continual growth, 7.5 % in 1994, 11.9 % in 1995 and 15.7% in 1996, average growth in this period was still well behind the average growth rate of 14.5 % between 1991 and 1993. Also, the real wage still did not stop increasing, despite the income policies, showing annually 6.4% increase between 1994 and 1996. Indeed, the flexibility of labour also seems not to have increased enough to overcome the pre-crisis symptoms at the expense of the working class. Although lay-offs and other flexible measures had already implicitly been used by capital to reformulate the employment structure, it was still not easy for individual capitals to impose officially a great degree of flexibility on organised labour since the labour law reform, which had been expected to bring the individual capital a substantial reduction of labour costs and full recovery of its managerial power through institutionalising flexibility, was suspended by the

working class struggles.⁵⁰ Individual capitals reacted in various ways to overcome the barrier by mobilising methods other than making more profit from production. They attempted to go beyond the national boundaries in order to move their capital to somewhere with better relations of exploitation, without insubordination of labour to capital. Therefore, Korean capitals' OFDI (Overseas Foreign Direct Investment) began to massively increase, mainly toward other parts of Asia, from 1994, far superseding inward foreign direct investment. As a result, Korea's OFDI toward Asian countries almost doubled between 1994 and 1996, reaching 6.2 billion dollars in 1996 (Kim, E. M. 2000, p. 113). On the other hand, capital in the form of money also was speculatively invested in South East Asia through the newly liberalised merchant banks and financial companies. Credit was also expanding massively, making it possible for capitals to keep producing in a vain attempt to overcome the barriers caused by the development of the tendencies to crisis. Yet, it seemed necessary for overcoming growing instability of capital accumulation to push forward the ultimate restructuring of capital relations and then maximise the efficiency of the introduction of new means of production, and thereby overcome the crisis at the expense of the working class. It was in 1996, facing the instability of capital accumulation, which became increasingly uncontrollable, that

⁵⁰ The most important issue with regard to 'flexibility' was lay-offs. Although capital had no problem employing part-time or short-term contract workers, the issue of lay-off has always been a matter of struggle. In the mid-1990s, the issue of lay-offs became one of the most important issues dealt with in collective bargaining. Therefore, in that period, the number of permanent workers appears not significantly to have decreased while part-time and short contract workers were increasing.

capitals and the state began seriously to try to institutionalise labour and labour market flexibility.

Restructuring capital relations, the general strike and the crisis of reproduction

By the mid-1990s, all of the aspects of early capitalist development in Korea (unilateral labour relations at the workplace, state control over collective labour, and state leadership against individual capitals) appeared to be defunct. The state attempted to keep its role in the reproduction of capitalist relations, however this time it had to be done in a different way, since the state could not ignore the social power of the democratic unions that had already succeeded in organising themselves in a unified national federation, covering all major and core industries and firms. President Kim Young-sam announced the 'New Thought on Industrial Relations for Leaping into the First Class Nation in the 21st Century', as the bridgehead for reviewing labour law, in April 1996. This programme was composed of five principles: 1) maximisation of the common good, 2) participation and co-operation, 3) autonomy and responsibility of employee and employer, 4) priority of education and respect for human beings, 5) globalisation of institutions, and was followed by the establishment of 'the Commission for Reform of Industrial Relations'. This was the first Tripartite Commission, in which democratic trade unions were allowed to participate. The discourse about labour law reform focused on the fair 'exchange' between relaxing control over trade unions by improving collective labour law to the internationally recognised level (i.e., removing the prohibition of multiple trade unions, the prohibition of unionisation by teachers and public servants and the prohibition of political activity of unions) and allowing a more

flexible labour market by loosening the 'rigid' labour standards law (Lee, J. H. 2000, p. 6). However, in spite of months-long discussion about the reform in the Tripartite Commission, the bill proposed by the government in December 1996 'accommodated almost all the demands' made by capitals, 'while giving only minor concessions to labour' such as 'allowing multiple unions at the national and industry level but not at the enterprise level, and granting collective bargaining rights to school teachers starting from 1999' (Koo 2000, p. 238). Even worse, the essence of the labour law reform was revealed when the law was enacted through a secret session at the National Assembly, in the absence of members of the opposition parties, in the early morning of 26 December. The enacted law was full of the employers' demands without any evidence that the state's forceful control over collective labour would be relaxed. In fact the legislation legalising the KCTU was postponed until 2000 and the right for school teachers to unionise was completely denied (Koo 2000, p. 239).

This provoked the first nation-wide general strike in Korea since 1948. On 26th December 1996, 143,695 workers from the KCTU and 70,000 workers of the GHHTU and affiliated unions initiated the strike. Thousands of unionists, citizens and students held rallies in Seoul. Meanwhile, workers from public transportation, hospitals, carmakers, shipyards and textile factories subsequently joined the strike. Also, even the reactionary FKTU, that had maintained its position as the largest union, organised a walkout by 156,000 workers at 486 work-sites. Again, from 3rd January 1997, 230,000 workers joined the second stage of the nation-wide strike. In the third stage of the strike from 15th to 19th January, a total of 350,000 workers joined the protest. This strike continued until 10th March. As a result, the labour law was returned to the National

Assembly and amended in March, only this time partly reflecting the element of exchange which had formed the basis of the commission's discussions. Lawmakers removed the anti-trade union elements within the collective labour law, allowing multiple trade unions at national and industrial level but with a five-year moratorium at company level, and allowing political activity by unions. However, the new law also allowed more flexibility of labour through legalising flexible working hours arrangements, redundancy dismissals (although this was not to be enacted until two years after the passing of the act) and allowing capital to substitute workers during labour disputes. It seems that now the threat to the reproduction of capital relations had been finally treated properly, satisfying capital as well as labour, at least partly.

However, this time, the restructuring of capital relations, which took more than 10 years, seems not to have been done in time. In overcoming the limits of the markets, by sustaining the mass of production, changing the items of export goods and introducing new means of production mainly through importing hi-tech capital goods, in the form of increasing competitive pressure on individual capitals, Korean individual capitals had come to rely heavily on massive credit expansion since the early 1990s, mainly in the form of short-term loans, through various private financial institutions. However, the further valorisation of capital based on massive credit expansion appeared to be reaching the limits of its success. Credit expansion had resulted only in accelerated overproduction without overcoming the barriers of the market. The emerging symptom of the tendency to overproduction began to appear more concretely and severely in the collapse of the export of semi-conductors, which occupied 17.7% of total exports in 1995, when 'a glut of memory chips led to a precipitous fall in unit prices, accompanied

by dramatic reductions in Korean exports' in 1996, worsening the financial pressure on Korean capitals (Bernard 1999, p. 197). Even well before the emergence of the Asian crisis, Korean capitals began to collapse. Beginning with the bankruptcy of Hanbo Steel, the 14th largest company in Korea in January 1997, large *chaebols*, such as Sami, Jinro, Daenong, Hansin had collapsed by June 1997. Kia, which was the 8th largest *chaebol*, was found to be bankrupt too late to be revitalised. Afterwards, Ssangbanul, Haitai and NewCore, all of which are among the thirty largest *chaebols*, went bankrupt. Meanwhile, the breakdown of *chaebols* precipitated a critical breakdown in the financial system that could also cause a massive subsequent collapse of the circulation of capital by forcing the banks to rush to ask individual capitals to repay the credit in order to compensate their losses in the collapsed branches and firms. At last, a general crisis emerged. On top of this, financial turmoil in Asia also contributed to make the general crisis more dramatic. While Korean banks attempted to recover their losses in the collapsed firms by withdrawing further loans, foreign financial institutions began to refuse roll over of the short-terms loans in Asia. With the massive increase in demand for the dollar in the foreign currency market, a foreign currency crisis followed, precipitating a massive liquidation of capital. The stock price, which had reached its highest level, 1,027.4 in the Korean Composite Stock Price Index in late 1994, fell to 350.68 in late 1997.

Concluding Remark

Capital accumulation, which had been sustained by massive credit expansion but had not been accompanied by successful reproduction of the relations of capitalist

production at the expense of the working class, i.e., by more fundamental mobilisation of the methods for overcoming the tendencies to crisis, at last revealed its limit in the form of massive bankruptcies of individual capitals. The failure of the attempt of capital and the state to reproduce the social relations of production without a serious liquidation of capital shows that the working class struggles had become a barrier to the further development of capital accumulation based on the particular pattern of reproduction of social relations of capitalist production since the late 1970s. The development of the working class's struggles has continually threatened the restructuring of capital relations, as we saw in the Great Workers' Struggle in 1987, through undermining the state regulation of collective labour as well as labour relations on the shop floor. Facing the growing social power of labour at the workplace as well as at the national level, the state and capital attempted to overcome the development of competitive pressure provoked by the general tendency to overproduction and overaccumulation through liberalisation, which could enable individual capitals to introduce new means of production and therefore survive in the face of competition through massive expansion of credit in the form of short-term loans, on the one hand. This liberalisation also marked the end of capital allocation by the state, which was an important moment of the early settlement of capital relations in Korea. On the other hand, the state and capitals sought to institutionalise labour flexibility in order to restructure the national social relations of capitalist production in favour of further accumulation. However, once the politicised reproduction was critically undermined by the working class struggles from 1987, neither capital nor the state succeeded in restructuring the social relations in favour of capital accumulation before the emergence of a general crisis. The

development of class struggle, provoking the demise of the settlement of capital relations that had developed during the 1960s and 1970s, mediated the possibility of the emergence of capitalist crisis, which has been imposed by the development of the general tendency to crisis in growing over-production and overaccumulation at global level, with the historical necessity of the crisis in Korea. Indeed, the Korean economic crisis showed that credit expansion, which inherently can only suspend the emergence of the contradiction of the social form of capitalist production, can provoke more disastrous consequences, rather than overcoming the crisis tendencies, unless it is accompanied by the successful mobilisation of social methods to overcome the limits of the market at the level of production and ultimately by the successful reproduction of the social relations of capitalist production in favour of further capital accumulation. In this sense, the Korean crisis in 1997 is to be understood not as a financial crisis, but as a social crisis of reproduction, which is a form of capitalist development in itself.

Chapter 9: The State, Capital and Labour in Transition

Introduction

It was not until the four-year restructuring period in the aftermath of the emergence of the general crisis that a new basis of further capital accumulation began to take shape in Korea. The immediate response of the Korean state to the crisis, in accordance with the IMF's stabilisation and structural adjustment policies, resulted in a rather disastrous further development of the crisis. Its commitment to stabilisation policies that drive debt-ridden or 'inefficient' individual capitals from the markets, accelerated the subsequent collapse of individual capitals in the aftermath of the crisis. Capitals that were lucky enough to survive the immediate impact of the crisis reacted swiftly to the stabilisation policies by withdrawing planned investment, cutting wages, downsizing production and most of all utilising mass lay-offs and other numeric adjustment methods. These measures brought bankruptcy to many individual capitalists, particularly small and medium size capitals whose ability to avoid financial rigidity by negotiating the rollover of their short-term loans was far more narrowly limited than larger firms, and imposed unemployment and job-insecurity on the mass of the working population. Nevertheless, it was through this misery and at the expense of the working class and the meltdown of financially backward capitals that the restructuring of capital relations in Korea has eventually been pushed forward in favour of further capital accumulation after the long period of contested transition from the 1980s.

The newly elected Kim Dae-jung government pushed forward a full-fledged 'reform' of the corporate, financial and public sectors and of the labour market from the beginning of 1998. Those reforms were geared to enhance the efficiency of the rule of the market, in accordance with an agreed diagnosis of the Korean economy between the Korean government and the IMF, by eliminating the lack of transparency in corporate management, heavy handed government intervention in financial flows on the basis of the non-transparent relations between government officials and capitalists, inefficiency in the public sector and the so-called rigidity of the labour market. While the state facilitated the flexibilisation of the labour market by institutionalising the market-based arrangement of employment relations, individual capitals utilised a more 'flexible' arrangement of labour at the workplace, the introduction of which had been delayed by the unions' intervention since the late 80s. The labour movement, now losing its basis for militancy in the face of increasing job-insecurity, appeared to be largely unable to organise effective struggle against this increasing introduction of flexible measures.

From the very beginning, those reforms indicated an accelerated marketisation of the reproduction of capital relations. Indeed, the four years of restructuring after the emergence of the crisis, under the principle of market-based reforms, without doubt brought an enormous change in the way in which capital relations in Korea are reproduced, showing a transformation from the old settlement on the basis of the state's control over individual capitals and collective labour to a somewhat new settlement on the basis of the rule of money, with an accompanying transformation of the form of the Korean state. The way of reproducing the subordination of the working class to capital now appears to be significantly 'marketised' on the basis of a new system of

competition-based personnel management, workplace re-organisation and a wages system as well as the massive development of a so-called flexible labour market that increases the insecurity of employment. This new arrangement appears to be threatening the basis of the traditional militancy of the trade unions, as we will see in the case of Hyundai Motors Workers Union. While individual capitals are now exposed to the increasing competition in the world market by the diminishing protection and privilege previously given by the state, they also instead appear to enjoy a full-fledged freedom in attracting financial flows from a totally liberalised financial market without heavy-handed government intervention. In this sense, now the state appears to be a regulator rather than a controller. The state role in reproducing capital relations in favour of further capital accumulation has also changed, since it is focused on institutionalising and supervising the market rule in labour relations, rather than directly controlling labour conflicts in individual firms, despite its on-going intervention in labour conflicts where the rule of the market appears to be threatened.

However, a closer look, presented in this chapter, at the process of the transformation of capital relations during the period in the aftermath of the crisis will show us that the restructuring of capital relations based on the marketisation of reproduction is unlikely to guarantee a smooth further reproduction of capital relations in Korea. The implementation of the restructuring, which in practice relies most of all on attacks on trade unions by the state utilising authoritarian measures, although largely successful, has been provoking the resistance of militant unions, despite their dissipated militancy, as we saw in the strikes of Hyundai Motors workers in 1998. Most of all, in response to the new forms of labour regulation, new forms of worker resistance and solidarity are

emerging in traditionally non-militant and non-unionised sectors, such as irregular workers and public sector workers. These new forms of resistance are likely to put the state and capital in a situation in which they find the further pursuit of those reforms increasingly difficult.

1. The Response to the Crisis and Initiation of the Restructuring of Capital Relations

IMF, the stabilisation policies and the further development of crisis

At the onset of the crisis in 1997, the immediate threat to Korean capital came from the so-called external liquidity problem. As the subsequent collapses of Korean *chaebols* seriously undermined the credibility of Korean financial institutions by accumulating a massive amount of non-performing loans, the rollover of short-term foreign loans, apart from the immediate refusal to offer new loans, by foreign financial institutions became virtually impossible by November 1997. As the Central Bank attempted to meet the increasing demands of foreign currency by commercial banks and merchant banking companies, the foreign currency reserve reached near exhaustion by the end of November. Under this external pressure, domestic financial institutions also began to increase pressure on individual capitals, accelerating the subsequent collapses of firms. In the face of this immediate problem, the Korean government, having lost its control over the foreign currency market, on 21st November 1997, finally asked the IMF to help out by injecting funds to relieve the immediate pressure on the foreign currency and financial markets. Beginning with an immediate \$5.5 billion financial aid from the

IMF, a total of \$58.3 billion financial aid (\$21 billion from IMF, \$10 billion from IBRD, \$4 billion from ADB and further \$23.3 billion from the U.S. and other countries) was announced to be injected in order to stabilise the financial turmoil.⁵¹ As a condition of the financial aid, the Korean government pledged to introduce stabilisation policies and structural reforms of the economy. According to the letters of intent of the Korean government, announced on 3rd December and again on 24th December 1997, those policies consisted of the usual package of IMF policies, comprising stabilisation measures and market-based structural adjustment. With regard to the measures for stabilisation, the Korean government pledged first of all to tighten monetary policy in order to restore and sustain stability in the financial markets by providing appropriate incentives for holding Korean won (Republic of Korea 1997b). Accordingly, the interest rate was to be kept much higher during the stabilisation period and money growth was to be limited by a target of less than 5 % inflation. Also a tight fiscal policy, targeting a fiscal surplus of 0.2% of GDP in 1998, was pledged (Lee and Lee 2000, p. 60).

After the agreement between the IMF and the Korean government was announced, the interest rate was immediately more than doubled, reaching a peak of around 30 % in January 1998 (World Bank 1999, p. i). Commercial banks were also forced to keep a high level of deposit ratio with the Bank for International Settlement (BIS) and therefore became 'reluctant to provide corporations with funds for fear of incurring new

⁵¹ Out of this announced financial aid, only a total \$ 30.2 billion from the IMF, IBRD and ADB appeared to be really injected by the end of 1999. As the Korean government began to repay the loans from 1999, \$1.5 billion aid from the IMF was cancelled. Also \$3.3 billion from IBRD and ADB was also called off by the end of 1999.

non-performing loans' (Lee and Lee 2000, p. 63). By the end of 1998, the immediate economic problems that required the IMF's bail-out appeared to a large extent to have been resolved. Foreign currency reserves recovered, from merely \$3.9 billion at the end of 1997 to \$48.5 billion at the end of 1998, while the exchange rate, which had reached more than 1,900 won/US\$ at the peak, also stabilised at around 1,204 won/US\$ (Republic of Korea 1999). However, this 'recovery' was possible only at the expense of the vast majority of the population. The initial impact of the stabilisation policies appeared immediately with the bankruptcies of so-called non-competitive small and medium size firms and the massive growth of unemployment and deterioration of the living standards of the mass of the population. Given the fact that Korean firms have relied on external debts for capital investment and the short-term circulation of capital, further collapses of firms, particularly small and medium size firms, whose ability to survive under the financial pressure was weaker than large scale firms, was not at all a surprise but, rather, was regarded as a necessary remedy, paving the way to the 'healthier' operation of the financial market on the basis of transparency and accountability. In the face of growing 'difficulties in short-term rollovers and promissory note discounts at their banks' (World Bank 1999, p. 6), a total of 22,828 firms, most of which were small and medium size firms, went into bankruptcy during the year of 1998. Firms that survived the financial pressure still had to call off planned investment and downsize the scale of scheduled production. As a consequence, overall GDP growth was recorded at minus 5.8% in 1998. Production in manufacturing also showed a 7.2% decrease in 1998 as the average operation rate in the manufacturing sector fell to 13.8% below that of the previous year. It was not until the massive

liquidation of the financially troubled capitals and financial institutions that the tight monetary policies were relaxed by lowering the interest rate to the level prior to the crisis.

The most devastating impact of the crisis was obviously on the working class. Most noticeably, job insecurity, which had already been imposed on workers in the form of voluntary retirement and implicit layoffs since the beginning of the recession in the early 1990s, increased quickly. By the end of 1998, according to KBF's research on employment adjustment in 192 firms employing more than 100 workers, more than half of them had reduced workforces through voluntary retirement, layoff and outsourcing since the economic crisis (Samsung Economy Institute 2000, p. 156). About a million lost their jobs during the first half of 1998, so that the unemployment rate skyrocketed from 2.8 % in 1997 to about 8% at the end of the first half of 1998. Accordingly, the real wage also decreased more than 9% during 1998. It is no surprise to find that the crisis hit the poorest part of the population most severely. Distribution between the lowest and highest 20 % has been significantly widened. Those who had been sacked floated in the daily and temporary job markets in a devastating search for employment opportunities, enlarging the scale of the urban poor (World Bank 1999, ii). In the face of the massive meltdown of individual capitals, trade unions faced a significant problem, the nature of which was unexpected and different from the one they had struggled against for the last decade.

Structural adjustment toward the restructuring of capital relations

While the tightened monetary policy was hitting those ‘unsustainable’ individual capitals and the mass of the working population, a large-scale structural reform was announced in December 1997. This structural adjustment plan included 1) financial sector reform that included an immediate suspension of critically troubled financial institutions, restructuring and re-capitalisation of financial institutions that could submit a clear rehabilitation plan, establishment of an exit strategy through closure, mergers and acquisitions by foreign and domestic institutions, and introduction of closer financial supervision; 2) trade liberalisation that eliminated trade-related subsidies, restrictive import licensing and the import diversification program; 3) capital account liberalisation, which allowed foreign investors to invest in the equity market, domestic corporate bond market and liberalised foreign borrowing by corporations; 4) corporate sector reform that eliminated government intervention in the lending process, subsidies or tax benefits to bail-out individual firms and reduced debt-to-equity ratios and 5) labour market reform focusing on enhancing flexibility (Republic of Korea 1997a, 1997b).

The newly elected Kim Dae-jung government, which came into power in the middle of the unfolding of the crisis, began to push forward further the restructuring of capital relations on the basis of the rule of the market. Condemning ‘a collusive link between politics and business’, ‘government-directed banking practices’ and ‘large business groups’ that have a large number of uncompetitive subsidiaries as the origins of the crisis, the Kim Dae-jung government pledged a new development, overcoming the crisis by pushing forward most of all reforms of the chaebols and the government in an

attempt to pursue harmony between democracy and the market economy (Kim, D. J. 1998). In the pursuit of financial sector reforms, the government shut down five banks with a total of 10,260 employees while five other banks were merged with other financially 'healthier' banks during 1998. Out of 30 merchant banking companies, 16 were closed down by the end of 1998 (Republic of Korea 1999). With regard to corporate sector reforms, a mandatory issuance of consolidated financial statements was introduced in 1998. Also, cross-debt guarantees between subsidiaries within *chaebols* were banned. A relaxation on the restriction of foreign investment was also accelerated in 1998 by scrapping restrictions on FDIs, the purchase of real estate, and mergers and acquisitions by foreign investors. Further attempts to secure the rule of the market and replace 'the heavy hand of government intervention' with the 'invisible hand of the market' can be found with the establishment and empowerment of governmental offices, such as FTC (Fair Trade Commission) and FSC (Financial Supervisory Commission), inspecting the financial soundness and transparency of individual capitals and financial institutions, thereby ensuring 'market discipline' and 'proper functioning of the market mechanism' (FSC 2000, p. 8). In addition to the first announced targets of the reforms, a large-scale public sector reform was introduced in the summer of 1998, comprising 1) privatisation of 11 out of 24 government-owned parent corporations, 2) restructuring of 67 out of 71 subsidiaries through merger and privatisation, 3) merger and closing-down of government-invested or commissioned organisations and 4) the lay-off of more than 130,000 public sector employees, including 40,000 in state-owned enterprises, by 2000 (Republic of Korea 2000, pp. 111-3). These reforms and measures taken by the new government in cooperation with the IMF aimed to establish:

‘a new economic order based on market discipline, and entailing restructured corporate and financial sectors, better functioning labour market, and a redefinition of the role of the Government away from direct intervention toward one ensuring the sound functioning of a market economy, providing public goods and protecting the vulnerable through adequate social safety nets’ (World Bank 1999, p. i)

In fact, despite the rhetoric of the Kim Dae-jung government, emphasising the development of democracy as well as the market economy, there was little new about the reform, except the institutionalised regulation of financial flows and corporate management. Those financial, corporate and public sector reforms undertaken by Kim Dae-jung government indicated a pursuit of firmer and more stable marketisation of the way in which capital accumulation is co-ordinated, by introducing marketised regulation of financial flows and individual capitals as well as full-fledged liberalisation of markets. The reforms were in the line with the marketisation of the reproduction of capital relations that had already begun since the decline of the early settlement of the reproduction of capital. As we saw in the previous chapter, however, the critical problem was that the reforms were not accompanied by a successful reorganisation of the way in which the working class was subordinated to capital toward more a profitable utilisation of labour. As the later development of class struggle made clear, ‘the IMF-mandated economic restructuring inevitably necessitated massive layoffs and an institutional change toward a flexible labour market’ (Koo 2001, p. 202). Therefore, there was one rather fundamental reform that capitalist development in Korea had to

take, the more marketised regulation of labour by pushing forward the so-called 'flexibilisation of the labour market'. Already in the aftermath of crisis, soaring unemployment and increasing insecurity of employment, caused either by bankruptcies of firms and the measure of numeric adjustment undertaken by individual firms, were 'enhancing' the so-called flexibility of the labour market. Those attempts to restructure the 'labour market', pushed by the government, individual capitals and the IMF, indicated a critical transition, which necessarily caused struggles around the restructuring process with the working class, the success of which could ultimately guarantee successful reforms in other sectors.

Labour movement and class struggle in the crisis

During 1997, the Korean labour movement faced a new and rather unexpected problem: growing job insecurity. As the symptoms of crisis began to emerge more obviously, many firms started utilising employment adjustment as a supreme measure of restructuring of their businesses. About 125,000 jobs disappeared due to employment adjustment and bankrupted firms during the first half of 1997. In the face of increasing job insecurity, workers and enterprise unions found no way but accepting a wage freeze through concession bargaining. In many enterprises, unions gave up collective bargaining and declared no-strike agreements with their employers. While the unions at the individual firms were overwhelmed by the growing job insecurity, the KCTU began to respond to the problem. The KCTU's response was two-fold. On the one hand, it concentrated on the 'saving nation' campaign from April 1997 by raising the issues of economic 'democratisation' through reforms of *chaebols* and their corrupt relations

with government, arguing that the reform of *chaebol*-dominated economic development will ultimately resolve the crisis (KCTU 1997b). On the other hand, the KCTU also declared its immediate struggles against the further development of the implementation of employment adjustment (KCTU 1997b).

However, as the crisis deepened and overwhelmed enterprise unions, the KCTU could not organise effective resistance against increasing job instability and the nationwide introduction of flexible measures. Rather, the KCTU has been increasingly preoccupied with an agenda for nationalist social reform, calling for reforms of *chaebols* in order to save the Korean economy. At the workplace, this rather defensive union response appeared in the form of ‘business-first-unionism’. For instance, when Kia, the 8th largest *chaebol*, went into bankruptcy and the management threatened to lay off thousands of workers, the trade union in Kia strove to save the company by collecting contributions among workers and returning bonuses and allowances, arguing ‘we are getting into the painful job-insecurity unless we can revitalise our company’ (Kang 2001, p. 88). The KCTU also launched the ‘campaign for saving Kia’, arguing that Kia, the healthy national company, must be protected from the other corrupted *chaebols* and foreign capitals, which attempted to take over Kia, for the national economy.

After the IMF’s bail-out, the KCTU initiated a discussion about ‘social agreement to overcome the economic crisis’, calling for negotiations in a ‘Tripartite commission for Economic Crisis Management and Employment Security’ in which the government, employers and trade unions ‘produce appropriate social agreements as need arises to

mobilise the social energy to overcome the current crisis' (KCTU, 1997a). The nationalist agenda of the unions was quickly taken advantage of by the newly established Kim Dae-jung government, which had also been condemning the *chaebols*-based economic development as the fundamental origin of the crisis (Kim, D. J. 1997). The Kim Dae-jung government proposed to establish a co-operative body, made up of labour, business and government, calling for national unity in order to save the nation. The KCTU eventually decided to take part in the Tripartite Commission after Kim's government succeeded in deriving an agreement on *chaebol*-reforms with the top four *chaebols* on 13th January. Finally, the first institutional arrangement in which unions, management and government discussed not only labour policies and a social safety net but also corporate, financial and public sector structural adjustment as a whole, was set up on 15th January (Park 2001, p. 41).

After about a month of discussion, the three parties in the commission reached the 'Social Agreement to Overcome the Economic Crisis'. This 'February Agreement' covered all major areas of reform, such as the corporate, public and financial sectors and the labour market. The outcome of the negotiation, however, was controversial. Through this agreement, the government and employers pledged to resolve the problems of *chaebols* through 1) enhancing 'transparency' in the management of *chaebols* and large-scale individual firms by introducing mandatory consolidated financial statements for *chaebols*, 2) strengthening the financial structure of *chaebols* by banning the cross-debt guarantee between subsidiaries within *chaebols*, 3) strengthening responsible management and 4) enhancing competitiveness by avoiding competitive investment in over-heated industries and concentrating the major industry of each

chaebol (KCTU 1997b, pp. 172-83). In terms of labour reforms, trade unions allowed an earlier and easier implementation of redundancy layoffs by removing the provision of a two-year moratorium and the narrow definition of 'managerial needs' that could legitimate redundancy layoffs. They also permitted the operation of temporary-work agencies for the flexible utilisation of labour. As trade-offs, the government pledged to build up a firmer social safety net by developing efficient employment and health insurance and a national pension system. Also the government resolved a long-term conflict around the teachers' union by legalising it, removed the ban on unions' political activity and allowed the unionisation of public servants under the condition of not exercising their right to take collective actions (KCTU 1997b, p. 180). Through this controversial agreement, unions provided capital with a social justification for introducing greater flexibility. At the same time, this agreement gave the unions significantly improved legal rights. Indeed, it appeared to satisfy the reforms of *chaebols* that the KCTU had so much concentrated on as its focal agenda after the emergence of the crisis. It appeared that labour had eventually achieved a *fair exchange* and this agreement 'was welcomed and praised as a historic compromise both inside and outside the country' (Koo 2001, p. 202).

However, the leadership of the KCTU immediately faced a massive criticism from rank and file delegates, who accused the leadership of bargaining their members' lives by allowing further introduction of flexible measures, particularly lay-offs. The leadership was distrusted soon after the announcement of the February Agreement. The delegates also voted down the February Agreement. Instead, the KCTU and affiliated unions called for a general strike in order to stop the revision of labour law in

accordance with the February Agreement. However, after serious erosion of the leadership of the KCTU, the general strike was not effective enough to stop the revision. The February Agreement, however, was not a mere mistake of the leadership of the KCTU. It showed the rather fundamental dilemma of Korean trade unions during the period of the general crisis, in which the trade unions, which had been developing militancy against the authoritarian government for the last three decades, came to the conclusion that the fate of labour is attached to that of capital as far as it pursues its betterment through more capital accumulation and better distribution. It is in this sense that the February Agreement is to be understood as a watershed in the development of the Korean labour movement after the uprising in 1987. Indeed, subsequent developments of labour relations on the shop-floor show that the 'exchange' through the agreement was by no means equitable in nature. The better legal recognition of unions appeared to be powerless to stop the increasing job insecurity imposed on individual workers by the institutionalisation of the flexible labour market.

2. Labour Movement in a Dilemma: The Case of Hyundai Motors Workers Union

The strike against restructuring

After the institutionalisation of the measures to enhance the flexibility of labour in 1998, it was the struggle of Hyundai Motors Workers Union (HMWU) that appeared as 'a microcosm of the more general conflicts between labour and capital' (Neary 2000, p. 1). Even before then, the dynamic labour relations in Hyundai Motors had been the

catalyst for the development of labour relations in Korea since 1987, representing both the miraculous accumulation of capital and the notorious military-like labour control at the workplace. But this strike had its own special significance: it was an *experimental* struggle between the new measures of management based on the institutionalisation of the flexible labour market and the union's possible aggressive strategy for the renewal of the trade union's workplace domination. In 1997, the tensions between capital and labour were increasing in Hyundai Motors Car. While management had already been threatening to implement a massive employment adjustment scheme since the onset of the economic crisis in 1997, workers elected a new union leadership from a militant workplace organisation 'Committee for Democratic Struggle' with the slogan of 'not a single layoff'.

Text box (2) - Hyundai Motors Workers Union – a short history

Hyundai Motors Trade Union, established in 1987, is one of the biggest enterprise trade unions in Korea. Now in 2002, it covers 23,592 members in the main factory in Ulsan and 13,994 members in two subsidiaries and four branch factories of Hyundai Motors. It also has a well-developed body of delegates who represent each production line and department, including 249 delegates in the main factories in Ulsan and 157 delegates representing other subsidiaries and branch factories. In the 1980s, the HMWU was not a militant union, in comparison to the Hyundai Heavy Industry Union, which represented the radical union movement against Hyundai management and the military government in the aftermath of the Great Workers' Struggle in 1987. It was in the general strike called by the CKTU in 1990 that Hyundai Motors Union began to be focused together with other Hyundai subsidiaries' unions. However, even in the general strike, the HMWU was the one that called off the solidarity strike earliest. After 1991, the HMWU became more active, with a radical union leadership, and became one of the leading trade unions in the democratic union movement, joining the general strikes by the Federation of Hyundai Trade Unions, the CKTU, and later the KCTU in almost every year. What is particular about the HMWU is its internal dynamic. Apart from the Trade Union, there are several workplace organisations, including the most militant and influential Mintuwi (Committee for the Democratisation of Hyundai Motors Workers Union), which compete with each other over delegate and union leadership in elections. This internal dynamic on the basis of the large number of shop-floor activists appears to have played a great role in developing particularly well-developed workplace domination of union delegates, even if the union leadership often fell back into cooperative relations with the management. The HMWU's collective agreement with Hyundai Motors shows one of the most developed examples of the systematic involvement of the union in personnel management and other decisions on the operation of the production line, reflecting well-developed union domination over the shop-floor

Although Hyundai Motors Car dismissed 2,380 workers through voluntary retirement with little compensation in early 1998, the trade union's response was relatively moderate. The HMWU suggested that, instead of introducing numeric adjustment through layoffs, there should be working hour adjustments, even though that would lead to a reduction in wages (HMWU 1998b, p. 8). However, the management informed the union of its plan for laying off 8,189 workers on May 19th while, at the same time, dismissing 1,423 workers through a second voluntary retirement scheme by 20th May. Under the newly amended labour law, layoffs were allowed only if there were

urgent managerial needs, and only after making efforts to seek other measures to overcome the managerial difficulties. However, what the management of Hyundai argued was that their main concern was reducing labour cost and the cost of welfare of workers, and, therefore, they were not prepared to look for other solutions, revealing the formality of the legal conditions for layoffs (HMWU, 1998a, p. 5). While management kept refusing to talk about the matter of employment adjustment with the union, HMWU instigated a two-day strike on 27th May. Meanwhile the KCTU, which had decided not to join the Tripartite Commission, again participated in the commission on June 10th, after the unsuccessful General Strike in May. This decision to take part in the Commission, as well as the policy of abandoning nation-wide struggles against the mass layoffs, isolated the HMWU, and left the impression that the nation-wide resistance to the layoffs, declared by the KCTU, was more rhetorical than real (Neary 2000, p. 4). And then, to everyone's surprise on June 24th, management met union's demand to hold a committee to discuss the matter of the layoffs. But this appeared to be merely an official process to justify the layoffs, especially when the company officially reported to the Ministry of Labour its plan to lay off 4,830 workers on June 29th. Workers in Hyundai Motors Car flew into a rage.

The response by the HMWU was to organise a limited strike, while management pushed their third voluntary retirement scheme. As a result, 1,252 workers chose to retire with fringe compensations. On 16th July, in spite of the union's last suggestion that they would accept over 30% wage cut and unpaid vacation in rotation, Hyundai finally laid off 2,678 workers and forced 900 workers to take a two-year unpaid vacation. The HMWU immediately called for a general strike. With strong support from

the union membership, the President of the HMWU, Kim Kwang-Sik, declared that the union would not accept even a single layoff. Supported by 3,000 workers who were now occupying the Hyundai Motors Car factory in Ulsan, a chimney protest began by three former presidents of the union, while more than 7,000 workers' families began to live in makeshift tents beneath the smoke-stack in protest (Neary 2000, p. 3). In the meantime, management allowed some laid-off workers to accept voluntary retirement and confirmed that 1,569 workers would be laid off on 31st July. On 14th August, they shut down the factory.

The government, noticing the importance of this event, also stepped into negotiation both with management and the union, and, at the same time, prepared to use the police to stop the strike before other unions got ready for solidarity struggles. Whilst the negotiation was going on, the heavily industrialised city of Ulsan became a police town with thousands of riot police on the streets. After the shut down, marching around the factory, riot police blocked the factory gates. Outside the factory on August 17th, over ten thousand riot policemen tried to regain control over the factory. On the same day that the riot police attempted to enter the factory, August 17th, the Minister of Labour came to Ulsan and attempted to mediate between management and the union. After a few days, negotiation was resumed and both parties reached an agreement on the size of the layoffs. On August 24th, both parties held a press conference and announced 'an agreement for employment adjustment and management-employee harmony'. The Union accepted 277 workers' layoffs and one and half year's unpaid vacation for 1,261 workers under the condition of consolation bonuses for those who had been laid off. The company promised its best efforts to re-employ the dismissed workers in HMC and

other Hyundai firms (HMWU and HMC, 1998). This compromise solution made for a real a dilemma for the union leadership as Kim Kwang Sik, the President of the HMWU, expressed:

The three days I spent on making the final decision to accept the layoffs were the most painful days of my life. I feel as if I have lived half of my life since then... I have run the HMWU, based on a firm determination that not a single layoff can be accepted. However, the reality was cruel. It was extremely difficult to halt the layoffs, which were being pushed by both capital and the state, as a single union. All that the 550,000 KCTU membership achieved even after a nation-wide general strike for 20 days was merely a 2 years moratorium of the implementation of layoffs. So I decided to let the company have a formal victory and to take the best offer for union members (Kim, K. S. 1998, pp. 161-2).

In spite of its success in minimising the size of the layoffs, the compromise agreement by the union, which had initially promised not to accept a single layoff, disappointed workers who had been on strike for more than a month. The workers rejected the agreement by a majority of 64% in a referendum on the agreement (Neary 2000, p. 5). However, the workers' decision could not make any difference. The strike was over. Immediately after the agreement was signed, 15 trade union leaders were arrested and imprisoned. Management now began to reorganise the workplace swiftly, taking advantage of the absence of trade union leadership as well as other militants who

were targeted for the redundancies and non-paid vacation by the management. A worker described the changes at the workplace in the aftermath of the struggle:

After the agreement, the workplace has changed significantly... in the past, management could rearrange labour after consulting with the union. This time however, management did it unilaterally. Also UPH (Unit Per Hour) are increasing seriously. This was also possible through negotiation with union delegates. But, now they (management) just enforce after merely explaining. The company now plans to increase the real working hour per unit hour from 65% to 86%. But in reality it is now 90%. Intensity of labour has increased approximately one and half times so far (Kang 2001, pp. 115-6).

Although HMWU succeeded in minimising the lay-offs, the negative influence of this strike to Korean trade unions appeared significant. Allowing the first 'officially' implemented structural adjustment through mass dismissal, the result of the strike publicised the necessity of a structural adjustment through lay-offs both to other unions and individual capitals. Now lay-offs and other measures of flexibilisation appeared to be justified and it seemed that a national 'consensus' was firmly constituted: struggle against flexibilisation and structural adjustment was irrational and harmful to the nation.

The transformation of workplace labour relations after the strike

After the strike, Jeong Kap-Deuk, who was a former President of the union from 1996 to 1997, was again elected under the slogan of 'labour movement with citizens'

and 'accommodation with the company', and with a promise of the union's co-operation for higher productivity as a trade-off for better employment stability, in the absence of militant union activists. At first sight, the new union seemed to have achieved better stability of employment, including the re-employment of dismissed workers. However, the relative stability of employment which 'regular' workers in Hyundai enjoyed was based, at least largely if not fully, on the supply of sub-contract workers through in-company-subcontract firms on a massively increasing scale (particularly after the mass dismissal in 1998). Now at least three in-company-subcontract firms are providing subcontract workers on each production line (Interview with Hyundai Motors Workers, no.2, 21 June 2002). More than 10,000 subcontract workers, more than 96 % of whose contracts with the subcontract firms are shorter than sixteen months (HMWU 2002, p. 5), were working in Hyundai Motors Car in June 2002 (Interview with Hyundai Motors Workers, no.2, 21 June 2002). Many of them were located in so-called 'avoided' parts of the production process, where industrial accidents are likely to happen (Interview with Hyundai Motors Workers, no.2, 21 June 2002). Functioning as a 'cushion' between the union's attempt to secure existing jobs and the company's attempt to take advantage of flexible employment, subcontract workers seem already to have become a necessary part of labour relations in Hyundai (Interview with Hyundai Motors Workers, no.1, 19 June 2002). Due to the merit of having a cushion that could minimise the impact of flexibilisation of labour to its membership, the trade union now appears to hesitate to engage, at least implicitly, in attempts to organise those subcontract workers. The increasing number of those workers also constitutes a new form of hierarchy, between the workers employed by the parent firm, Hyundai Motors Car, and workers

employed by the subcontracted firms, in which the usually cheap and young subcontract workers are treated as inferior. In accordance with technological development, such as modularisation and platform unification, further employment adjustment also seems inevitable. HMC plans to decrease 21 platforms to 7 unified platforms by 2005 (HMWU 2000, p. 4). Also according to its modularisation plan, over 800 firms supplying parts will be reduced to 200 (Korean Metal Workers Federation 2000, p. 22). These structural adjustment plans, together with intensified labour, will create redundant labour. Most likely, in-company-subcontract workers, who can be 'flexibly' utilised, will fill those redundant posts, replacing the permanent and full-time workers of Hyundai Motors Car. Also, labour shortages, if any, are likely to be supplemented by employing more subcontract workers.

The mass dismissals also contributed to taming militant union activists. Union activists, who returned to work after one and half years non-paid vacation, had to promise, in order to be re-employed, not to cause further industrial disputes and do their best for the development of Hyundai (HMWU, 1999). Many of them found it difficult to be actively re-engaged in union activities because of the fear that they would not be re-employed if sacked once more (Interview with Hyundai Motors Workers, no.2, 21 June 2002). Furthermore, during the absence of the union activists, the union's power to intervene in the regulation of labour by management seems to have been seriously undermined. A worker, who was re-employed in a Hyundai Motors' branch firm, Hyundai Mobis, describes this change:

In this workplace, workers cannot walk around in groups during working hours or even during a break. All workers should be in exactly the same uniforms, without exception. Smoking is prohibited and we cannot even imagine having a cup of coffee on the way back from the toilet. We cannot do anything but work. I feel as if even my imagination is being supervised. According to a fellow worker, it became worse after the struggle in HMC ended up with a ghastly defeat... slave, yes, the workers in this workplace, Hyundai Galloper factory, are in a slavery condition. They do whatever the management tells them to do, no matter what it is... a worker working next to me worked 460 hours a month. I asked him how he managed it. Then he said, "The education allowance for my son was cut by half. I have to earn money now since I don't know when I will be fired. Hey, just do what they want you to do. Otherwise, they will send you somewhere else" (Kang 2001, p. 33).

This increasing domination of management over the shop-floor is largely due to the declining militancy of union delegates on the production line. Union delegates increasingly tend to compromise with managerial decisions, avoiding troubles 'as far as it is not necessary' (Interview with Hyundai Motors Workers, no.1, 19 June 2002). Employers' strategy toward the union delegates has also changed. Now, rather than merely ignoring the representativeness of the delegates on the production line, managers give privileges to the more cooperative delegates with regard to work-schedules and the allocation of work (Interview with Hyundai Motors Workers, no.2, 21 June 2002). On

some occasions, group of workers on a production line with a delegate who has a better attitude toward management enjoy privileges, such as less UPH, together. This again attracts more workers' votes for those non-militant delegates in union elections.

Taking advantage of this declining dominance of militant unionists, the management has pushed forward new working arrangements under a programme known as 'WIN 21' which had been launched by the management in 1997 as a new labour regulation strategy, but had often been nullified by union delegates at the workplace. It was now being reintroduced as an effective method to change workplace labour relations, in the absence of union intervention. One of the main aims of WIN 21 was to increase the foremen's authority in managing individual workers. Increasing authority of the foremen, who are now largely in charge of personnel management, the merit-rating process, quality management and workplace safety-management, weakens union delegates' influence among fellow workers (KILSP et al. 2000, p. 195). Under the supervision of the foremen, every team has to compete with each other for monthly evaluation, the results of which are publicised and can give the workers awards or punishment. The promotion system, which was firmly based on seniority, has now changed into an examination-based system in which anyone who has been working for a minimum duration in a certain position, can be given the opportunity to do the exam and get promoted (Interview with Hyundai Motors Workers, no.2, 21 June 2002). The increasing introduction of the piece-rate also appears to instigate more competition among workers, increasing real working hours almost without limit. If willing to, one could work 361 days per year and earn the whole package of the piece rate. Increasing competition among workers appears not only at the workplace but also at communities

amongst workers' families. Many informal mutual assistance communities in Hyundai Motors Car are now broken down (Interview with Hyundai Motors Workers, no.1, 19 June 2002). All those recent transformations of the power balance on the shop-floor also enables the management to tighten workplace discipline. On many occasions, workers cannot leave the production line without permission. Chairs in the workplace have been removed. In HMC Chunjoo factory, a card system, by which managers can trace every single movement of individual workers in the factory thanks to ADC (Automated Data Collection) technology, was introduced (Kang 2001, p. 105; KILSP et al. 2000, pp. 207-8).

During the two-year period of structural adjustment based on the flexibilisation of labour, labour relations at the workplace are now undergoing significant changes mostly in favour of management in HMC. More flexibilisation through the increasing employment of subcontract workers is likely to undermine the union's power at the workplace further by forcing individual workers to compete with each other more and more rather than allowing them to unite for survival, removing the basis of workers' militancy in Hyundai Motors Car. The case of the Hyundai Motors Car clearly shows the nature of the difficulties that the Korean labour movement faces. Labour regulation now does not simply aim to smash the collective power of labour unions through vulgar and forceful suppression as it did before. Rather, new forms of labour regulation aim at the decomposition of the working class through the subordination of individual workers to management by the flexible measures. More competition-based regulation over individual workers is now undermining the basis of the militancy that had been formed

in the development of the democratic trade union movement, more effectively than the vulgar measures of military regimes that smashed trade unions by force.

3. The Nature of the Transition: Marketisation of the Reproduction of Capital Relations in Korea

Growing marketisation of labour control

The changes in capital relations in Korea in the aftermath of the crisis can firstly be captured as the *increasing marketisation of labour control*. This process involves mainly 1) growing job insecurity on the basis of the creation of a large-scale reserve army of labour and the irregularisation of workforces (so-called ‘flexibilisation’ of the labour market) 2) increasing introduction of more competition-based personnel management, capability-based wage systems and reformulation of workplace organisation (together, so-called ‘rationalisation of labour’). *Insecurity of employment* had already appeared seriously in the form of voluntary retirement and implicit lay-offs since the beginning of the recession in the early 1990s. Mass and more explicit layoffs followed from the subsequent implementation of restructuring policies: the cleaning up of the financial sector, the reduction in the number of government employees in the process of government restructuring toward a so-called ‘small and effective’ government, and sacking a large part of the public sector workforce in the process of the privatisation of SOEs. Worse still, ‘as firms undertook swift adjustment to improve flexibility’ by taking advantage of the deterioration of unions’ capacity to resist against the managerial authorities and the institutional changes in the labour market’s regulation,

job security, which had been relatively well protected since the 1987 upsurge of democratic trade unionism, began to be critically undermined (Lee, J. H. 2000, p. 10). The continual pressure from the insecurity of employment is based on the creation of a *large-scale reserve army of labour*. At the beginning of the crisis, about a million were cast out of work, and in the spring of 1998 some 300,000 college graduates joined the reserve army of labour, floating to get daily and temporary employment opportunities. A total of 1,710,000 workers had been forced to leave their jobs by lay-off, expired contract which employers refused to renew, and voluntary retirement during the three and a half years after the crisis (Chun 2002, p. 4). Numerical employment adjustment became a routinised business, rather than an emergency measure, maintaining a certain degree of unemployment as a whole. Hence, even though the Korean economy recovered from the economic crisis from 1999, the measures of numerical employment adjustment did not retreat. In fact, 135,000 persons were 'reported to have been dismissed or forced to retire involuntarily' in 1999 (OECD 2000a, p. 191). While the number of jobless in 2002 was lower than in the months immediately following the onset of the crisis, the unemployment rate remained at about double the pre-crisis level.

Although unemployment gradually decreased after the peak of the first quarter of 1999 (about 1.6 million out of work), we should notice that the fall was made possible by the increasing number of temporary, daily-contracted and other 'flexible' forms of employment after the crisis and the subsequent labour law reform, not by the production of new jobs. This *irregularisation of employment* can firstly be quantitatively captured by the increasing number of temporary and daily-contracted workers. Temporary and daily contracted workers, the number of whom had gradually increased as recession

began in the early 90s, now appear to outnumber permanent full-time workers, accounting for 52 % of total wage-workers in 2001. In fact, in international comparisons, Korea has the highest percentage of irregular jobs in total employment, while the number of workers holding a permanent job is the lowest among OECD countries (Martin and Torres 2001, p. 6). This resulted firstly from a widespread employment strategy that sacked the full-time permanent workers and re-employed them afterwards as temporary or part-time workers performing almost the same labour that they had been doing before dismissal.⁵² In the banking and financial sectors, about 15% of the total workforce was made up of those re-employed in this way after being sacked during the mass layoffs in 1998 (KILSP et al. 2000, p. 118). 4,640 out of 6,612 new employments in 1998 were irregular and 4,671 out of 5,501 in 1999 (Kwon 2001, p. 91). In the public sector, about two thirds of the laid-off full-time permanent job holders had been re-employed as irregular workers, including part-timers, temporarily contracted, dispatched and sub-contracted workers, which increased 46.1% during the four years after the crisis (KFTPSU 2002a, p. 9).

In the manufacturing sector, the increasing number of dispatched and in-company-subcontract workers, whose employment contracts are temporary, estimated at about 800,000 workers (Joint Committee for Abolishing Dispatched Labour 2000, p. 2), drove this irregularisation of employment. This increase can be attributed to the legalisation of

⁵² During a one-year period from June 1998, 80 % of those who could escape from unemployment had been re-employed as temporary and daily workers (Lee and Hwang 2000, p. 289).

temporary-work agencies in 1998. In theory, these forms of employment are supposed to be under strict regulation and allowed only for particular forms of skilled-labour. However, firms increasingly utilise those indirect forms of employment by having numbers of small subcontract firms and work agencies, the survival of which is entirely subjected to yearly or monthly contracts with the mother companies. In many cases, large-scale enterprises establish sub-contract firms and work agencies by themselves and put them under direct control (Ahn et al. 2001, pp. 182-6). The merit of these forms of employment for individual capitals lies in that fact that, by making the employment relations more indirect and untraceable, the management can avoid and ignore their legal obligation as direct and large-scale employers and therefore could adjust the number of workers at their will. Also, by putting together these irregular workers with regular workers on the production line, the management can precipitate more competition between regular workers and irregular workers and thereby make it easier to control the regular workers, showing them that they are replaceable. Other forms of 'workout' measures also contribute to the changing employment structure. As many processes of the production of components in assembly-based manufacturing industries, particularly in car-making companies such as Hyundai, Kia and Daewoo, are now given to small and medium size external subcontract firms, which rely heavily on cheap daily and temporary workers,⁵³ the permanent jobs in the mother companies are likely to disappear (KLISP 2000, pp. 121-2). Also, the establishment of quasi-independent

⁵³ Wages of workers employed in external sub-contract firms producing parts for major car-making companies are merely 60% of those of workers in the major companies (KLISP et al. 2000, p. 125).

subsidiaries within a firm also contributes to changing large numbers of workers employed in the mother company into in-company-subcontract workers whose contract is no longer guaranteed to be renewed (KLISP 2000, pp. 118-26). This insecure basis of the irregular forms of employment results directly in less pay, worse working condition and no union protection. While the average wage of irregular workers reached a mere 52.6% of that of the regular workers in 2001, workers in irregular forms of employment worked longer than regular workers, averaging 46.5 hours per week, in comparison to 45.9 hours of regular workers (Kim, Y. S 2001). Due to the temporary and mobile nature of these forms of employment, union density of irregular workers was less than 1 % in 2002 (KCTU 2002a, p. 6).

This increasing irregularisation of labour also accompanied other measures changing the nature of the reproduction of workplace labour relations, from a system based on authoritarian control to one based more on competition-based labour control. Amongst many changes, *flexible wage adjustment*, based on the conversion from a seniority-based to a capability-based system, appears to be the primary method (Kim, Y. B. and Yoo 2000, p. 166). In particular, an annual salary system was widely introduced as the most prevalent form of wage adjustment. Among the firms employing more than 100 full-time workers, the number of firms having introduced an annual salary system increased from merely 94 in 1996 to 1,612 firms in January 2002, accounting for 32.4% of 4,998 companies surveyed by the Ministry of Labour (Ministry of Labour 2002). This system appears to have spread rapidly, especially among large-scale companies, after the crisis, showing that more than 45 % of Korean firms listed in the stock market had introduced merit pay systems by 2000 (Park and Yu 2000, p. 9). In addition to the

annual salary system, an increasing number of firms have introduced various forms of performance-based pay system, such as profit sharing, gain sharing, team incentive and stock option systems (Park 2000, p. 28).

Accordingly, personnel management, which relied merely on forceful discipline, is also being considerably transformed, with the increasing introduction of more 'scientific' and flexible human resource management strategies. Merit-based promotion systems are replacing service-year-based promotion systems, while the measures of merit rating also become more important and sophisticated through enhanced monthly and annual evaluation of performance on the basis of participation and performance in education programmes, the acceptance of specific behavioural norms, the quality of goods produced by individual producers (with the introduction of a 'real name quality system'), the quality of suggestions by the workers to enhance production and the speed at which an operator works etc. (KILSP et al. 2000). Management publicises the monthly and yearly evaluation scores of individuals and teams and supplies appropriate rewards and punishments. Reformulation of workplace organisation also follows, concentrated on the introduction of team-based work organisation (Park 2000). In the public sector, a team-performance based system has also been increasingly introduced, together with an 'independent operation division system', within which each of the enterprise departments is managed and evaluated independently in accordance with its own performance (KILSP et al. 2000, pp. 91-2). The development of these personnel management techniques, based on merit-rating procedures, also significantly enhances the authority of the foreman and middle managers in the manufacturing sector. They are

the people responsible for promotion, discipline, wage increase and even job stability (KILSP et al. 2000, pp. 187-98).

All of these seem to increase significantly management's regulative power over labour through shifting power relations at the workplace. Individual employers can now enjoy enhanced managerial authority merely by publicising their plans for numerical adjustment. Also, the threat of being laid-off has been an effective method to implement another form of numerical employment adjustment, e.g., voluntary retirement in a way that rarely provokes industrial disputes. In order to avoid being laid-off or voluntarily retired, workers are forced to enhance their productivity voluntarily. In the meantime, trade unions are largely unable to stop capitals' attempts to worsen working conditions by renewing or ignoring existing collective agreements. Increasing irregular workers also enhances the power of managerial authority at the workplace since the job security of the irregular workers relies fully on managerial authority without the unions' protection. Furthermore, increasing competition among workers and conflicts between regular and irregular workers contributes to enhanced managerial authority.

Since the piece-rate has been higher than the wage increase through collective bargaining in the aftermath of the crisis, the capability-based wage system has been increasingly accepted and welcomed by workers. On the contrary, facing the sheer speed of the job losses, enterprise unions have been accepting a wage freeze, as the trade off for job security, giving up collective bargaining and declaring no-strike agreements with their employers. As a result, trade unions seem now to suffer from declining collective bargaining power caused by the lack of support from the shop floor.

Continual reformulation of workplace organisation also undermines trade union delegates' leadership on the shop floor, replacing it with foreman and increasing team leaders' authority. In attempts to avoid being laid-off, competition between teams and individual workers is intensified to a great extent. As the domination of the trade unions at the workplace weakened, working conditions in general have worsened. According to the International Labour Organisation (ILO), South Korean workers in the manufacturing sector put in an average of 50 hours per week in 1999, which is the same level as ten years ago and 8.3 hours more than the average among the 75 countries surveyed (Korea Herald 26th April 2000).

Growing marketisation of the regulation of individual capitals

Together with growing marketisation of labour control, which, however, also accompanies authoritarian management of the flexible labour market by the state, the other elements of the recomposition of the capital relation can be found in the restructuring of the financial and corporate sectors in the aftermath of the crisis. The most apparent feature of the recomposition can be summarised as 'letting the market rule'. On the basis of this principle of market-based rationalisation, the financial sector has come to be subjected to structural adjustment and 'as of the end of June 2001, a total of 590 insolvent financial institutions' had not been saved, but, rather had 'been exited from the market' (MOFE 2002a, p. 10). In particular, 26 out of 30 merchant banks, which had been pointed out as a major cause of the distortion of the financial market, had been kicked out of the market by 2001. The state has also significantly deregulated the financial market in accordance with the IMF's requirements, allowing a

great degree of freedom of in-and-out flow of capital. Accordingly, restrictions on Foreign Direct Investment have been abolished. The limit to foreign investors' ownership of Korean stock in aggregate was raised to 55% in December 1997 and finally abolished in May 1998, while regulations on corporate bonds were also abolished (Lee, K. K. 2000). As a result, 'shareholdings of foreign investors have surged and, as of early 2000, account for nearly 22% of the Korean Stock Exchange's total capitalization' and FDI has reached 52 billion dollars, which is twice as much as total FDI in Korea by 1996, during the four years after the crisis. Accordingly, the number of foreign invested firms also increased from 4,419 in 1997 to 11,525 in January 2001 (MOCIE 2001). Furthermore, the state's control over borrowing of individual capitals was also eased, allowing a greater degree of freedom of direct foreign borrowing, real estate investment abroad and issuing of bonds abroad. Deregulation of the foreign exchange market was also expected to be accelerated, 'featuring full-fledged liberalization of the market by 2001' (MOFE 2002b, p. 23).

Following the deregulation of financial flows, the focal role of the state in relation to private capitals has been transformed from beforehand-controller to afterwards-regulator. This is also reflected in corporate sector reform, which has focused on establishing the rule of the market by institutionalising the 'transparent' process, in which individual capitals' decisions are made exactly in accordance with the market situation, such as financial soundness and profitability. Accordingly, state intervention is now considered only to the extent that it facilitates the smooth operation of the market. Therefore, while the corporate sector reform is largely left to the willingness of individual capitals, the state introduced a ban on intra-group cross-debt guarantees and

mandated publication of combined and consolidated financial statements, on the one hand, and has overseen some large scale capitals going into bankruptcy, as in the case of Daewoo Motors Car, on the other (MOFE 2002a, pp. 12-3). To encourage 'structural adjustment' of corporate sectors on the basis of the market mechanism, the Corporate Restructuring Promotion Law that 'specifies clear and transparent regulations for the imposition of market principles among creditor financial institutions' was legislated, expected 'to promote the creditor institutions to initiate further actions to impose corporate restructuring onto financially stressed debtor companies' (MOFE, 2001, p. 25). Given these reforms, it seems true that the relations between the state and individual capitals also changed substantially in the aftermath of the crisis, showing a significant transformation from developmental leadership of the state to the 'marketised' regulation of individual capitals.

4. Newly Emerging Forms of Class Struggle and the Incomplete Transition

Two-fold nature of the restructuring and limited transformation

The serious crisis of the reproduction of capital relations that Korean capitalist development faced in the late 90s seems to have been overcome. More or less, market-based reforms have succeeded in overcoming the crisis and creating a new social basis for capital accumulation. After 6.7 % minus growth in 1998, the economic growth rate again began to rise, showing 10.9% in 1999 and 8.8% in 2000. Foreign exchange

reserves, the shortage of which triggered the acceleration of the crisis, now reached a record-breaking level \$97.76 billion and all IMF loans have been already repaid (MOFE 2002a). Although it accompanied the massive liquidation of capital at the beginning, the stabilisation measures seem to have achieved a lower debt/equity ratio in the private sector, recovering so called 'creditors' confidence'. Most of all, during a four-year period, capital has succeeded in taking the best advantage of the reformulation process, re-establishing capital-labour relations in favour of capital through the systematic decomposition of the working class by marketising labour control.

However, although at first glance the crisis of the reproduction of capital relations for further capital accumulation now appears to have been resolved, the transition from the politicised reproduction to the marketised reproduction of capital relations is far from complete. As we saw above, even if it is true, in contrast to the traditional form of the reproduction of capital relations, that their reproduction now relies more than ever before on the flexible operation of the labour market, this does not mean that the role of the state in reproducing capital relations in favour of further capital accumulation is contained within a mere regulative role. Quite the opposite, the state does not hesitate to intervene directly in labour disputes when the unions and workers appear to 'fracture' the smooth operation of the labour market. Also, as to capital-state relations, the accelerated liberalisation of foreign borrowing and the deregulation of financial markets largely seem to meet what individual capitals have been asking for since the 1980s. However, whereas state control over individual capitals has been weakened in many senses, replaced by so-called genuine market-based regulation, the legacy of the earlier configuration of capital-state relations, as a moment of the politicised reproduction of

capital relations, has often also been found in the process of the transformation. The state is playing the most important role in founding the new basis of capital accumulation in the rule of the market by promoting corporate structural adjustment, on the one hand, and by strengthening regulatory institutions, on the other.

At the beginning of the restructuring, the labour policy of the newly elected government seemed to seek a social consensus through the Tripartite Commission, integrating the outlawed democratic union movement into the decision-making process. On the other hand, regarding unions' legal status, the renewal of the collective labour law, which allowed the unions the freedom of political activity and plural unionism at the national level, therefore recognising the KCTU, seemed to end the traditionally authoritarian control of the state over collective labour. However, it was after the Tripartite Commission succeeded in extracting the unions' agreement to the necessity of the reformulation of the labour market that the nature of the state's labour policies, which aim to institutionalise marketised control over labour and at the same time attempt to sustain its reproductive role by utilising authoritarian measures in order to subordinate the working class to the operation of market rule, on the other, was clearly revealed. Immediately after the controversial 'February Agreement' on labour market deregulation and the following amendment of the labour standard law, which allowed the immediate implementation of lay-offs and labour dispatch, the state began to intervene in labour conflicts as much more than a mere regulator of the labour market, arguing that struggle against structural adjustment can be a matter of 'discussion' but

cannot be a matter of 'struggle' and therefore strikes related with structural adjustment are all illegal (Park 2001, pp. 69-72).⁵⁴ Beginning with Hyundai Motors Workers Union's strike in July, which ended up with more than 10,000 lay-offs and Mando Machinery Workers' strike in August, in which more than 2,600 workers were arrested, the state violently broke almost all major attempts of the working class to minimise lay-offs and other forms of structural adjustment, relying fully on authoritarian suppressive measures (KCTU 2001a, pp. 230-41). From 2000, the way in which the state dealt with workers' resistance became more and more explicitly aggressive. In an operation where the police stormed the 36th floor of Lotte Hotel, which workers were occupying, in the summer of 2000, a total of 1,100 hotel workers were arrested and 111 workers severely injured, including a case of miscarriage of a women worker (Lotte Hotel Trade Union 2001). Again, in Daewoo Motors workers' strike precipitated by the layoffs of 1,750 workers, a total 671 workers and families were arrested during a month of struggles

⁵⁴ The February Agreement, which says 'we will do our best in order to avoid layoffs and management should... consult with the representatives of workers about the measures taken to avoid layoffs', has been seriously abused in the sense that employers' attempt to minimise is interpreted as 'optional' whereas unions, although they can discuss the matter beforehand, have to accept employers' decisions (For a summary of the February Agreement, see OECD 2000b, p. 49). Since, according to the government's interpretation, structural adjustment cannot be subjected to collective action and strikes caused by disagreement on the adjustment measures are a violation against employers' rights, they are therefore illegal. It has been revealed that the government took advantage of this rhetoric to a great extent when government appeared to have even encouraged Korean Minting & Security Printing Corporation Unions to take 'illegal' collective actions by suggesting an unreasonable structural adjustment plan, in order to break the union by force in late 1999 (KCTU 2001a, pp. 243-8).

(KCTU 2001b, p. 2). As a result, a total of 722 workers have been sent to prison since Kim Dae-jung, the Nobel Peace Prize Winner, came into power.

Table (1) Imprisoned Trade Unionists Under the Past and Present Governments

Presidency	First Year	Second Year	Third Year	Fourth Year	Fifth Year	Total
Roh Tae Woo	1988	1989	1990	1991	1992	1,973
	80	611	492	515	275	
Kim Young Sam	1993	1994	1995	1996	1997	632
	87	188	165	149	43	
Kim Dae Jung	1998	1999	2000	2001	Mar. 2002	722
	219	129	97	241	36	

* Source: KCTU 2002b

Having considered all of these, it is clear that, during the four-year period of restructuring, the marketisation of control over labour has not replaced but developed in *parallel with* the authoritarian management of the marketised control of labour, in which the state has often maximised its reproductive role in removing obstacles to marketised labour control and thereby ensured the smooth operation of the deregulated labour market. This also has significant implications with regard to the further development of class struggle and thereby of the basis of the labour movement. Most of all, as far as capital relations are politically reproduced in favour of capitalist domination at the workplace on the basis of hard-line measures taken by the state, the further politicisation of class struggles seems inevitable. Indeed, a closer look at the development of class struggle in the process of the transformation of capital relations during the four-year period shows us that the restructuring of capital relations is unlikely to guarantee the smooth further reproduction of capital relations in Korea.

The implementation of the restructuring, which in practice relies most of all on attacks on trade unions by the state, although temporarily successful, has repeatedly provoked devastating resistance of the traditionally militant unions in large-scale firms despite their dissipated militancy, as we saw in the strikes of Hyundai Motors workers in 1998 and of Daewoo Motors in 2001. In this sense, the marketisation of the reproduction of capital relations, the development of which, however, relies on the state deploying authoritarian measures, actually allows a further development of a militant unionism, putting the state into a difficult condition in which it cannot push forward market-based reforms effectively enough. While the authoritarian element of the transformation *gives the struggles of the working class a militant and politicised nature*, the structural changes of employment provoked by this transformation based on ‘flexibilisation’ *develops new forms and subjectivity of class struggles*, through which the unresolved contradiction of the newly created basis of capital accumulation is manifested. These are found among traditionally non-militant and non-unionised sectors, such as irregular workers and public sector workers.

New forms and subjectivity of struggle – 1) public sector

The public sector workers’ struggle after the onset of the crisis shows the two-fold nature of this transformation. In 2000, the public sector employed 1,219,590 workers, which amounts to 9.28 percent of the total wage labour force of 13,140,000. Among public sector employees, government employees account for 70 % with 880,000 workers, while workers in State-owned enterprises account for 30 %, with 220,000. Moreover, in 2001, there were 222 unions with 413,578 members in the sector, which

account for 27.9 % of the total union membership (Kim, S. G. 2002, pp. 5-6).⁵⁵ In contrast to the size of industry and its relatively high union density, labour relations in the public sector had been described as rather cooperative and tranquil relations on the basis of a well-developed corporate welfare system as well as secure permanent employment. There was little change in this nature of the relations even after the nation-wide upsurge of the democratic trade union movement. However, after the crisis of 1997, as the state-owned industries came to be subjected to the most severe structural adjustment, including the acceleration of privatisation, labour relations in the public sector increasingly fell into turbulence. A total of 131,100 workers were forced to leave their jobs between 1998 and 2000 (KFTPSU 2002b, p. 39).

Table (2) Reduction of the Number of Public Sector Employee: 1998-2000

	Plan 98~01	1998 ~ 2000		
		Plan (B)	Achievement (C)	C/B, %
Total	142.6	130.3	131.1	101
Central Government	26.0	21.9	21.4	98
Local Government	56.6	49.5	49.5	100
SOEs	41.2	41.2	41.7	101
Subsidiaries	18.8	17.7	18.5	105

*Source, Ministry of Planning and Budget 2001, p. 5

Wage increases have been extremely restrained, showing declines in 1998 and 1999, while many elements of the corporate welfare system have completely broken down

⁵⁵ A total of 106 trade unions, comprising about 200,000 public sector workers, were affiliated with the KCTU. Most of the rest of the public sector unions were affiliates of the FK TU (KFTPSU 2002a, p. 31).

under structural adjustment (KFTPSU 2002b, p. 41). Also, the Kim Dae-jung government introduced a so-called 'occasional budget allocation policy', according to which the central government allocates the annual budget strictly in accordance with an annual evaluation of the achievement of the restructuring process, encouraging the more competitive pursuit of employment adjustment among public sector enterprises and government branches (Ministry of Planning and Budget 2001, p. 12).

Korean Electric Power Corporation (KEPCO), the biggest single firm in the public sector, which covered generation, transmission, wholesale and distribution and comprised about 38,000 workers, was also subjected to a whole-scale restructuring.⁵⁶ During the two-year period between 1998 and 1999, a total of 6,826 workers had been dismissed as a result of the initiation of restructuring (KCTU 2002c, p. 2). The KEPCO trade union had begun their campaign against the privatisation plan and mass dismissal in 1999 and had succeeded in delaying the immediate implementation of privatisation, which was planned to be done by 1999. However, at the end of 2000, the government finally enacted the 'Act for the Promotion of Structural Adjustment in the Electric Power Industry'. On the basis of the law, KEPCO was divided into 6 independent

⁵⁶ According to the 'Basic Plan for Structural Adjustment of the Electrical Industry' provided by the Ministry of Commerce, Industry and Energy (MOCIE), there were three main purposes of the restructuring; i) introducing and raising competitiveness and efficiency in the industry, ii) providing a cheap and stable electric supply in the long term, and iii) widening consumer's choice for using electricity, thereby increasing public 'benefit'. The privatisation plan consisted of two stages: 1) divide the power generation unit of the Korea Electric Power Corporation (KEPCO) into several independent state-run power plants and 2) privatise these power-generating companies by selling them to domestic or foreign companies (KILSP at al. 2000).

companies: Korea Midland Power Co., Ltd. (1,898 employees), Korea South-East Power Co., Ltd. (1,563), Korea East-West Power Co. Ltd. (1,800), Korea Western Power Co. Ltd. (1,610), Korea Southern Power Co. Ltd. (1,734) and Korea Hydro & Nuclear Power (6,151) (KCTU 2002c). Now, these state-run companies, except the Korea Hydro & Nuclear Power, were on the market for sale.

In response to this, trade unions in five independent companies organised a single union, the Korea Power Plant Industry Union (KPIU), in an attempt to prepare a more solid resistance against further privatisation and employment restructuring. The managerial authorities in the five independent companies refused to recognise the unified union nor renew the collective agreement made between the KEPCO union and management before the separation, while pushing forward the privatisation plan. Eventually, on 25th of February 2002, the Korea Power Plant Industry Union went on strike against the privatisation of electric plants, with strong support from its rank-and-file workers as well as other social movement organisations, including human rights and the student movement. Although two other public sector unions, the Korea National Railroad (KNR) labour union and the Korea Gas Corporation (KGC) labour union, which went on strike together with the KPIU, called off their strike within 3 days, the KPIU's strike last 38 days, being supported by a solidarity strike by 132,000 KCTU members. Through this strike, the KPIU demanded withdrawal of the privatisation plan, renewal of the collective agreement and new employment for labour shortage, arguing that the privatisation would threaten workers' right to live and lead to a full domination of *chaebols* over public service (Lee, H. D, the President of the KPIU, 9th October 2002).

At the end, on 3rd April 2002, this 38-day-long strike was concluded by a mutual agreement between the government and the KCTU, which negotiated the agreement on behalf of the power workers. The agreement contains four main elements; i) observance of law and principle, ii) excluding the issue of privatisation from negotiation, iii) minimising punishment of the workers, and iv) stopping the strike and an immediate return to work (Yoon 2002). In fact, it looks more like a union acceptance of the government's demands rather than a mutual agreement. The KPIU did not achieve its main goal to make the government withdraw or reconsider privatisation policy in the electrical industry. However, the KPIU's struggle implies significant changes in the Korean labour movement after the crisis of 1997. It certainly shows the fact that the transformation of capital relations created a new subjectivity of class struggle *without* completely removing its politicised nature. It is quite clear that public sector unions are no longer a model case of cooperative labour relations. Moreover, the strike created a social alliance strongly against the whole structural adjustment by questioning not only the authoritarian way in which the state pursued restructuring, but also the nature of the whole restructuring of capital relations on the basis of 'marketisation'. Nation-wide debates and concern regarding structural adjustment, which the strike raised, critically undermined the social consensus with regard to the reforms that the Kim Dae-jung government had pursued since 1998.⁵⁷ This development means that it will never be

⁵⁷ Finally, a conspicuous feature of the KPIU's strike was the active declaration of intention and action from many NGOs and other social movement organisations. The government was overwhelmed by nation-wide criticism. Beginning with 988 leading figures of religious and social movements (7th March), many social organisations including, the National Association of

easy for the state to carry out its privatisation policies, which could be a heavy political burden in the future.

Further transformation of labour relations in the public sector can also be found in the attempt to legalise the government employees' union. For the first time in Korean history, a public servants' union, the Korean Government Employees' Union (KGEU), was established on 16th March 2002. Since the establishment, KGEU has struggled in-and-against the government that has not recognised the union on the basis of the understanding of government employees as 'servants', not workers eligible for the right to undertake collective actions. The government proposed a bill for 'the Act on the Establishment and Operation of a Government Employees' Association' on 15th October 2002 (Hankyurey 21 No 434. 2002, p. 37). However, this act severely restrained union rights by forbidding public servants from exercising rights to collective action and collective agreement, allowing merely the right to unionisation of public servants in a very restricted sense. Making any solidarity with other workers is banned. The KGEU has opposed the Act. So far, even if it is too early to evaluate this ongoing development, it is clear that the government employees' unions could bring the state

Professors for Democratic Society (8th March), 102 professors in economics and business administration (19th March), professors in sociology (20th March), 13 medical institutions (26th March), the Korean Federation for Environmental Movement, Green Korea, People's Solidarity for Participatory Democracy, the Korea Women's Associations United, the KCTU (27th March), 30 professors in politics (29th March), the Korean Association of Labor Studies (1st April), issued their statements supporting the KPIU's strike and demands. It is certainly a very rare case for a single union's strike, and shows that strong solidarity between labour movements and NGO's activities could be a potential solution to resistance against the neo-liberal restructuring policies.

into an extremely difficult condition in which the implementation of public sector restructuring faces an internal barrier of unionised public servants.

New forms and subjectivity of struggle – 2) Irregular Workers

Attempts to unionise irregular workers have increasingly been emerging in the workplace. The greatest difficulty in these attempts is the strong hostility of regular workers toward irregular workers' unionisation, the struggle for which is believed to undermine their own job security. Consequently, on many occasions, irregular workers have to establish their own independent unions, without being supported by the existing regular workers' unions, as regular workers' unions often turn their back on irregular workers. Those antagonistic relations between regular and irregular workers appeared in the case of the Korea Telecom contracted workers' strike, in which the regular workers not only refused to accept irregular workers but also practically attempted to disturb the establishment of an independent irregular workers' union, and in the case of Korea Career subcontract workers' strike in 2001, in which the existing regular workers' trade union appeared to co-operate with the employer in breaking the in-company-subcontract workers' union.⁵⁸ Accordingly, these attempts to organise their own independent unions without support from existing regular unions have very often developed into a long-

⁵⁸ According to Korean Labour Law, as far as the existing regular workers' union allows, in their union articles, irregular workers to be a member, irregular workers could not establish their own union since the plural union is illegal. In Korea Telecom, the regular workers did not allow the irregular workers to be members of the regular workers' union, even though their constitution allows it. At the same time, it also refused to amend the article so that the irregular workers' union has to remain outlawed.

term struggle for union recognition that is often intolerable for the irregular workers who earn their living on a daily and monthly basis. The biggest attempt by the Korea Telecom Contracted Workers Union, which led to a strike lasting 290 days involving more than 1,300 contracted workers, ended up with a bitter failure: layoffs of all involved workers and unionists. However, those struggles publicised the need for unionisation of irregular workers, particularly illuminating the necessity of developing solidarity between regular and irregular workers in the unionisation of irregular workers.

Text Box (3) – Career In-Company-Subcontract Workers Union (CICSU)

The Career Korea, a Korean branch firm of an American mother company, Career, producing air-conditioners, employed about 800 regular workers and hundreds of irregular sub-contracted workers employed through 6 small-size subcontract firms (Interview with Lee Kyung-Seok, the President of Career In-Company-Subcontract Workers Union, 26th June 2002). Those subcontract workers earned about half of the wage of regular workers employed by Career and worked on the same production lines with regular workers. The number of irregular workers varied from 350 in winter time to 750 in the summer, when hundreds of in-company-subcontract workers were laid-off without any formal procedure. Those subcontract firms are in fact illegal temporary work-agencies and the Career has managerial authority as a practical employer. Subcontract workers have attempted to unionise their own union, comprising all irregular workers in the six subcontract firms, since September 2000. In February 2001, they succeeded in establishing the Career In-Company-Subcontract Workers Union (CICSU). At the beginning, the regular workers' union appeared to support CICSU. However, as CICSU went on strike and deployed more radical strategies, the regular workers union began to withdraw its support and finally to play an important role in breaking the CICSU. Career's response to the strike was to close down the six subcontract firms and thereby sacked hundreds of subcontract workers at once. Later the CICSU won a trial against Career and Career had to employ those who had renewed their contracts with Career for more than three-years, as regular workers. This was the first successful case in which subcontract workers sought to be re-employed as regular workers by the mother company. However, since Career closed down the subcontract firms, the CICSU in fact also no longer exists (Interview with Lee Kyung-Seok, the President of Career In-Company-Subcontract Workers Union, 26th June 2002).

In spite of the existing antagonism between the regular and irregular workers, there have been a number of cases in which irregular workers have been successfully organised in cooperation with regular workers' unions, particularly in small and medium size firms. In those firms, unionisation of irregular workers appears not to threaten to undermine regular unions but rather to empower the overall capacity of the unions, particularly through solidarity strikes in which employers find it difficult to cope with the strike action by replacing regular workers on strike with irregular workers. Firstly, there are cases in which existing regular workers' unions aggressively *integrate* irregular workers into regular workers' unions, in an attempt to prepare effective struggles against the increasing introduction of flexible measures of employment adjustment.⁵⁹ There are also cases in which regular workers' unions actually *nurture and support* an independent irregular workers' union. In both cases, regular workers' unions made a great effort to organise irregular workers and persuade their own members to recognise the irregular workers' union and union membership, by setting up a special union branch for unionisation of irregular workers, organising workshops, trade union education programs for both regular and irregular workers, training for leadership, and many other joint events.⁶⁰

⁵⁹ Successful unionisations in this form appeared throughout various industries, including the service industry (Lotte Hotel, AC Nielson Korea), garments (E-Land) and the metal industry (INI Steel) (Kim, H. J. 2002).

⁶⁰ The Sinho Paper Manufacturing Union is a good example of an elaborated preparation of a regular workers' union in supporting irregular workers to unionise themselves. During more than two years of preparation, the union organised 'a special committee for organisation of irregular workers' and offered various educational training programs for union activists among

Another developing form of unionisation of irregular workers is *ultra-firm level organisation*. There are 8 general unions (*Ilbannojo*) for workers in petty-scale enterprises.⁶¹ This form of unionisation is gaining increasing significance since it is in these petty-scale enterprises that most irregular workers are concentrated. Now, 5 regional-based general unions exist, including Gyungi Province Trade Union, Seoul General Trade Union, Masan-Cahngwon General Union, Chung-Nam General Trade Union, Busan General Trade Union, offering umbrella union membership, legal consultancy and support to irregular workers without regard to the types of occupations (Park 2002, pp. 86-99). This form of union appears to be effective in organising individual workers whose workplace is too small to organise individual enterprise unions and exercise collective actions against employers, by setting up branches of the general union in small size firms. There are also general unions which aim to organise particularly women irregular workers, who account for more than 70% of irregular workers and suffer from sexual discrimination in the process of the restructuring of employment relations, such as Seoul Women's Trade Union, Korean Women's Trade Union and Seoul-Gyungi Equal Trade Unions. They attempt to support individual women workers to struggle against sexual discrimination and the deterioration of

irregular workers (Kim, H. J. 2002, pp. 53-7). On the other hand, E-Land Union's case shows that segregation between regular and irregular workers could be overcome by developing solidarity through a co-ordinated strike (Hong 2002).

⁶¹ Another form of ultra-firm level unionisation is an occupational union on the basis of industries which consist exclusively of irregular workers, such as daily-construction workers. Seoul Daily Construction Workers' Union, established in 1988, is a good example of this kind of organisation.

working condition by offering union education, conducting collective bargaining and providing legal advice.

Text Box (4) - Seoul Women's Trade Union and women irregular workers

Seoul Women's Trade Union (SWTU) was established in 1999, calling for more concerns about the sexual discrimination of women workers, the male-centred nature of existing trade unions and the increasing deterioration of the conditions of women workers (Seoul Women's Trade Union 1999). While the employers targeted women workers in implementing employment adjustment through mass layoffs and irregularisation during and in the aftermath of the economic crisis, trade unions, reflecting their male-centred nature, largely ignored the increasing deterioration of the conditions of women workers caused by this sexually 'biased' employment adjustment process, as a trade off of male workers' job security. Union density of women workers remains merely 5% while more than 70% of women workers are now subjected to the various forms of irregular contract. Worse still, more than 70% of those women irregular workers appear to be employed in petty-enterprises with fewer than 5 employees (Interview with Kim, Hye-Seon, Secretary of Seoul Women's Trade Union, 7th February 2001). The SWTU aims to organise particularly those irregular women workers who remain largely without union protection. Covering mainly women in their 20s and 30s, service, clerical and sales workers, this union is open to all individual women workers in Seoul Metropolitan area (Interview with Kim, Hye-Seon, Secretary of Seoul Women's Trade Union, 7th February 2001). The SWTU runs union education with a particular emphasis on the response to sexual discrimination and harassment, develops a model collective agreement, conducts collective bargaining on behalf of the women workers in petty-size firms and offers legal support for the victims of sexual discrimination as well as of violation of labour standard law. The most remarkable achievement of the SWTU was the legalisation to unionise the unemployed in 2001 after a year struggle, for the first time in the history of the Korean labour movement. However, as for other general unions, the SWTU has barriers to overcome in order to function as a general union. Most of all, the ban on plural unionism, which prevents individual women workers in enterprises with an established trade union from joining the SWTU, makes it difficult to increase its membership (Interview with Kim Hye-Seon, Secretary of Seoul Women's Trade Union, 7th February 2001). Although the effectiveness of this general women workers' union remains to be seen, it is clear that the SWTU will contribute to accelerating the unionisation of various forms of irregular women workers and thereby the revitalisation of the labour movement.

The growing significance of irregular workers and the changing forms of subjectivity of the labour movement can also be found in the struggles of the workers in the form of

‘special employment’ (*Teuksugoyong*), which refers primarily to service workers who are legally not workers but self-employed, in spite of their employment relations with certain companies. These forms of employment have been regarded largely as non-workers since the firms introduced freelance-like employment contracts in those particular industries in the early 1990s, in an attempt to avoid the regulations imposed by the labour standard law. The private tutoring industry, which employs more than 100,000 private teachers tutoring more than 6 million students by visiting their homes, is the biggest in this sector. Also, caddies in golf resorts, remicon (ready mixed concrete) and other construction-related lorry drivers are not legally recognised as workers but self-employed although they are bound to certain forms of employment relations and subjected to managerial authority in terms of pay, workload and hours and code of conduct. As irregular forms of employment have been focused in the aftermath of the economic crisis, these workers in ‘special forms of employment’ also have attempted to unionise themselves. Private teachers in Jeneung Education, the biggest private tutoring firm, established Jeneung Education Teachers’ Labour Union (JETLU) in 1999 after a month long strike against the government and employer that did not recognise the teachers as workers therefore refused to legalise the union. Furthermore, the JELTU achieved a collective agreement with employer in 2000. This was an important step because this showed that workers under special forms of employment contract were eligible for collective action, collective bargaining and other union rights.

The JETLU, which began with 2,000 teachers, now has about 3,300 members in more than 300 branch offices (Han 2002, p. 119).⁶²

The irregular workers' movement is now developing further into a nation-wide movement by going beyond firms and occupational boundaries, on the basis of solidarity among different forms of employment and unions. While the existing confederations are increasingly alerted to overcome the regular-male-worker centred unionism, the irregular workers' movement, in spite of its short history, is already beginning to organise a nation-wide alliance by establishing the 'National Alliance for Removing Insecure Labour' in 2002. Together with growing politicised unionism in the public sector, those new forms of resistance are likely to put the state and capital in a situation in which they find the further pursuit of these reforms increasingly difficult. A closer look at the development of class struggle in the process of the transformation of capital relations during the four-year period shows us that the restructuring of capital relations is unlikely to bring a resolution to the long-term development of politicised class struggle in Korea. Rather, the restructuring is opening a further development of class struggle by developing further *a militant and politicised nature as well as new forms and subjectivity of class struggles* through which the unresolved contradiction of the new basis of capital accumulation reveals itself. It is in these senses that the form of

⁶² Many other special forms of employees, personal tutors in other tutoring firms, caddies in golf resorts and remicon (ready mixed concrete) and other construction-related lorry drivers also organised trade unions successfully in spite of an on-going dispute about their legal status as 'workers'. Most of their unions are affiliated with the KCTU.

the reproduction of capital relations as well as the form of the Korean state is still in transition, the result of which remains to be seen.

Concluding Remark

In an attempt to explain the recent transformation of the state more fully, without abstracting the state from the totality of capitalist social relations, we looked at the re-formulation of capitalist social relations in Korea by tracing the new development of the basis of capital accumulation and class struggles. In doing so, the demise of the particular form of the Korean state has been captured not in terms of the demise of the developmental state, the theory of which ignores critical aspects of capitalist social relations, thereby distorting the nature of the state, but in terms of the transformation of the way in which capitalist social relations are organised and managed. The transformation was conceptualised as a transition from the 'old' settlement, in which the reproduction of capital relations largely relied on political regulation over individual capitals as well as labour, to a somewhat different composition in which the reproduction is more marketised and monetarised on the basis of marketised control over labour and the marketised regulation of individual capitals.

However, it is clear that the consequence of the contemporary transition of capital relations in Korea as well as the form of the state still remains to be seen. Although labour control is now largely based on more marketised methods, as far as the state has to exercise force in order to establish the flexible labour market and the stabilisation of the labour market relies on the state's forceful interventions, its reproductive role

continues to exist. As far as the working class resists against marketised subordination, in particular against continual structural adjustment at the expense of the workers pushed by the state, the politicisation of class struggle also continues to develop. As far as social production relies on the subordination of the mass of the population to the expansion of capital, new forms and subjectivity of class struggle keep emerging, as we see in the contemporary development in public sector workers' and irregular workers' struggles. Indeed, it would be far too naïve to have an expectation that an increasing integration of national capitalist development into the global whole through the deregulation of financial and commodity markets will guarantee a stable development. Rather, what the recent transition shows us is that the crisis-ridden nature of capitalist development cannot be overcome either by the market or the state. Further capitalist development will need continual re-formulation of capital relations, which is possible only through further struggles and conflicts.

Chapter 10: Conclusion

The aim of this research was to understand the nature of the Korean state. In particular, this thesis was designed to reveal the nature of the state behind the appearance of the Korean state by presenting the development of the form of the Korean state without abstracting the state from the formation and reproduction of capital relations through class struggle in Korea. The attempt to understand the nature of the Korean state without abstracting it from the development of capital relations has been made in two different stages. Firstly, I had to tackle the mystified form of the Korean state, by revealing the shortcomings of the theories of the developmental state, which had been dominating the exposition of the Korean and other 'oriental' forms of the capitalist state by highlighting the unusual involvement of the state in East Asia's economic development since the 1980s. Secondly, I developed an alternative historical exposition of the development of the Korean state. Through both the theoretical critique of developmental state theories and the historical critique of the capitalist state in Korea, the mystified form of the Korean state has been demystified by showing the development of the state as a moment of the development and reproduction of capital relations as a whole in Korea.

The Mystified Image of a Capitalist State

The first half of my thesis was dedicated to criticising the mystified form of the Korean state by developmental state theories, developing an alternative way of

understanding the Korean state on the basis of Marx's critique of capitalist social relations, in the context of which the state is to be understood as a complementary-but-differentiated moment of the reproduction of capital relations. In the first chapter, core arguments in developmental state theory have been examined: 1) the miraculous economic development in Asian NICs is based most of all on the existence of a particular form of the state exercising a great degree of leadership in the catching-up process of economic development 2) the origin of successful state intervention in Asian NICs lies in the unusual development of the bureaucratic capacity of governmental organisations which are internally coherent, with an extraordinarily meritocratic nature 3) the effective utilisation of various developmental measures by the state is based outwardly on a large degree and particular sort of state autonomy from other societal forces, insulating the state from the particular interest of other societal forces and thereby enabling the state to pursue a common good. In short, developmental state theories defined the state in Asian NICs as having a particular sort of autonomy from society: 'developmental autonomy'. On the basis of this specific 'autonomy', the Korean state has been described as one of the prototypes of the 'developmental state', which appears to exist *above* the interest of other societal forces, effectively utilising the interventionist measures in pursuing the common good.

The immanent shortcoming of developmental state theories lies in their inability to explain the reason why the state contributes most of all to the accumulation of capital even though it is believed to be autonomous from capital. This intrinsic problem marks almost all of the literature dealing with case studies on the states in Asian NICs. Those case studies that describe the state in Asian NICs as the developmental state are based

firmly on a particular set of state theories developed by the attempts to 'bring the state back in' (Skocpol et al. 1985). In those attempts, the autonomy of the state is derived from a very narrow and a-historical understanding of the relations between the state and capital as the relations between different societal forces as 'sets of individual-social actors', rather than from a serious attempt to understand the nature of the capitalist state in relation to particularly 'capitalist' social relations. In doing so, those theories did not question the contradictory mode of existence through which the capitalist state appears to be autonomous from capital as well as to be subordinated to capital. Instead, those expositions tend to merely attribute this contradictory form of the capitalist state to an individual or organisational propensity of the bureaucratic body. In an attempt to 'bring the state back' into the centre of the analysis of capitalist development, any serious attempt to illuminate the inner relation between the state and capital or the political and economic forms of domination has been merely denied as an attempt to put the state back into the trash bin. In consequence, those case studies on the state in Asian NICs ended up not with an 'explanation', not to mention critique, of the mode of the capitalist state but with an accumulated 'description' of the state as it appears from outside.

In an attempt to overcome the immanent shortcoming of developmental state theories by understanding the mode of existence of the capitalist state and thereby illuminating the way in which the state is related to the social domination of capital, we moved onto Marxist discussions about the nature of the capitalist state. However, despite Marx's making a distinction between the 'capitalist' state and other forms of the political apparatus in other modes of production, according to our reading of the traditional Marxist expositions of the capitalist state, no Marxist exposition appeared to be able to

offer a satisfactory answer to the question of the contradictory mode of existence of the state. Rather, the 'essentialist' theories, developed by Lenin, and afterwards the theory of state monopoly capitalism and Miliband, ignored the specific capitalist separation between the political and economy by arguing the social domination of capital appears *immediately* in a political domination on the basis of direct and indirect influence of the members of the capitalist class over the state apparatus. Worse still, they deal with the state merely as a set of organisations and capital as a set of members of the capitalist class, in the same way that the bourgeoisie state theories did, offering no basis of the critique of the specifically capitalist way in which the state is subordinated to the interest of the ruling class. On the other hand, the autonomy-centred approaches, particularly by Poulantzas, in spite of their contribution to enlightening the systematic, rather than immediate, relations between the state and capital, could not overcome the shortcoming of essentialist approaches since they tend to put those two sets of individuals into differentiated social arenas that appeared to be webbed with one another through structural relations. In doing so, those autonomy centred approaches end up with an unintended contribution to strengthening the reified image of the state as independent of 'economic' social relations by recognising the autonomy of the **political** superstructure as one of the essential features of the capitalist state *without* criticising the way in which the state appears to be separated from the economic. In both theories, the Marxist understanding of the state could not answer the question of the **dichotomy** between the state and capital either by recognising the **dichotomy as a real** differentiation between two different social spheres or by reducing the **dichotomy to a**

mere false differentiation between two different, but in fact inter-personally related, sets of individuals.

Marx's Critique of Capitalist Social Relations and the State

In order to develop a critique of the mode of existence of the political state, which appears, in both Marxist and non-Marxist approaches, as an independent entity in abstraction from capitalist social relations, we reconsidered Marx's controversial argument about the state existing above the social relations of production. In an attempt to put Marx's incomplete exposition of the capitalist state back into the context of his critique of capitalist social relations, what we firstly did was to explore his critique of the labour theory of value and commodity fetishism, in which we found Marx's explanation of the way in which the social reality of capitalism is reproduced, by illuminating the social organism governing the reproduction of capitalist social relations. Contrary to the way in which his followers fall back into the 'bourgeoisie' foundation in which the social institutions and spheres, notably the state and capital, appear as independent entities relating to each other externally, Marx's critique of the value-form of social relations offers us a foundation of a critique of those social entities and relations between them by penetrating into the abstract domination of capital on the basis of fetishistically naturalised social forms. For Marx, value is most of all a social form through which the socially labouring individuals are webbed with each other in a very specific way. Through this value-form, later developed into the money-form, relating social individuals, the relationship between those individuals appears not in an

immediate relation between people but in the mysterious forms of relations between things. In other words, social relations between people are fetishised into the relations between commodities through those mysterious social forms. What is striking is that social relations between people not only appear but also really exist in the form of relations between things and those illusion-making social forms, through which the social relations between labouring individuals appear, actually consist of the reified-but-real social reality in which we live. In this way, Marx's critique of the law of value shows *the most abstract law* governing the reproduction of social relations in commodity-producing society through the continual inversion of social relations between people into material relations between things through the social forms.

Understanding of the relations between the state and capital in the context of Marx's critique of capitalist social relations led us to interpret Marx's superstructure-base metaphor in a quite different way. Now the relation between the social relations of production and the political superstructure can best be captured by understanding it as a relation between the totality of social relations, within which the labouring individuals are related with each other, and social forms, through which social relations between those people appear, rather than between economic interest of capitalists and their political tools or between the economic basis and the political state above the economic interests. The most serious attempt to understand the state as one of the mysterious social forms by applying Marx's critical method of form-analysis to state analysis has been made by the German derivation debate. This debate made it clear that the state is as fetishistic as money, in that it appears as an external force above the class relations, although the state-form comes from the very nature of capitalist social relations.

Therefore, just as money itself can appear to be detached from the class characteristic of capitalist society, the state itself can also appear to be detached from its class characteristic. However, although this was a strong counter-argument against the social democratic belief that the working class can take advantage of the state by occupying its bureaucratic body, their form-analyses failed to fully develop the exposition of the state-form in relation to the fundamental mechanism of the reproduction of capitalist social relations. It was mainly because they tended to explain the particularisation of the state not as being a 'moment' of the very general reproduction of capitalist social relations on the basis of the reification of social relations, but as the externalisation of a particular aspect of that reproduction. Therefore, for Müller and Neusüss, the state appeared to be a regulator over the self-destructive nature of the capital relations while Blanke, Jürgens and Kastendiek, as well as Hirsch, attributed the particularly coercive nature of the reproduction of capital relations to the state, *in contrast to* the self-reproductive nature of capital relations. In doing so, whereas they confirmed that the state functions as a particular social form through which social relations are fetishised, they did not explain the way in which the state-form becomes a moment of the reproduction of capital relations through the very basic organism of the reproduction of capital relations, i.e., the movement of the inversion of the unequivocal-coercive relations between individuals into technical-abstract relations between things, in the development of class struggle.

In order to fully develop a critique of the state-form in relation to the abstract reproduction of capitalist social relations, we had to see the more concrete forms of the inversion of the social relations within the social organisation of commodified labour

under the command of the capitalist. The movement of inversion of social relations that was mediated by money appears now also in the form of the inversion that the social relations of surplus value exploitation, i.e., capital relations, continually appear in the form of technical relations between 'capital' as owner of a sum of money capital, and 'wage labour', as owner of labour power commodity. Under the capitalist production in which capital valorises by exploiting the mass of the population under the command of capitalists, the general organism of the reproduction of social relations of commodity production therefore still dominates the reproduction of capital relations between workers and capitalists.

Within capital relations, the exchange relation between workers and capitalists appears as an equivalent relation between capital and commodity labour power as two different sets of individuals who own the respective sources of revenue. However, the rule of the law of value governing the reproduction of social relations, through the inversion of the relation of exploitation into the form of relations between commodities through free-contract, now appears inevitably in contradiction with the reality that workers face in the form of the deprivation of the production process and products from the direct producers, precipitating conflicts and struggles around what is real and what is to be real. It is through this struggle between wage-labourers and capitalists that the movement of the inversion of social relations reveals its actuality. Indeed, it is through this struggle that the concrete manifestation of the most general organism of the reproduction of capital relations conditions the separation between the state and capital and thereby the form of the capitalist state. The state now increasingly finds difficulty in identifying itself with capital as far as it is to contribute to the reproduction of capital

relations. Hence, the state gradually took a form differentiated from the capital-form through which class relations are inverted into the equal relations between commodities, while it also remained as a moment of the inversion of unequal social relations into abstract and technical relations by translating class relations into relations between equal citizens. In doing so, the public state could now appear as if it is an embodiment of the free will of individuals who are connected with one another through free contractual relationships. In this sense, the inversion through the state-form is essentially a complementary and differentiated moment of the reproduction of capital relations through the value-form, in which the relations between classes is transformed into classless relations between things, making the state appear to be detached from the relations of capitalist production. This understanding of the form of the capitalist state led us to the conclusion that capital and the state are complementary-but-differentiated forms of capital relations and therefore there is no such thing as a state autonomous from capital. If anything, it is a myth that is based on a misreading of the dual nature of the mode of existence of the capitalist state.

Mystification of the Korean State and Critical Perspective

As we saw in the first chapter, the statist approach does not question the contradictory form of the capitalist state and argues that the states in Asian NICs are autonomous from capital and furthermore from the society. Given the activeness of the state in Asian NICs in relation to the other societal forces, this developmental 'autonomy' appears to be a relevant conceptualisation of the nature of the state in Asian

NICs. However, according to our investigation into the form of the capitalist state, this developmental autonomy of the state can make sense *only* within the benign bourgeois conceptualisation of the relations between the state and capital. This approach, rather than revealing the nature of the state by recognising the relations between the state-form and the totality of capital relations and penetrating into the state formation in the context of the reproduction of capital relations as a whole, is as superficial as the neo-classical approach, in juxtaposing the ‘political’ state representing the relations of political contract between free individuals without regard to the economic resources that those individuals own, against the ‘economic’ society, which is supposed to consist of non-political relations between different sets of individuals who own technically different sources of revenue. Worse still, their empirical analyses attempted to create a model state showing the relevance of the statist approach in which the state appeared to be free from and, for some reason, in favour of all societal forces by wrongly but systematically generalising organisational relations between business and state apparatus into relations between society and the state.

The post-developmental state theories, which emphasise a socio-political analysis of the developmental state by seriously introducing ‘labour’ as an important category, also seem merely to reproduce, or at least allow, the once mystified image of the state by decorating the old theory by a new context, without recognising the incompatibility of the concept of developmental autonomy with that of labour as far as they understand capital as a mere set of businessmen, rather than a social relation. The consequence is that the statist theories of the state strengthen the reified image of capitalist society in which the state appears to exist above class relations. This led us to conclude that

neither the contradictory form of the capitalist state in general nor the particular form of the state in Asian NICs could be explained in this framework, which fell back exactly into the mystification that capitalist social relations produce. In order to avoid the same failure, the autonomy of the state itself was to be regarded as an object of a critical inquiry, not the starting point of state analysis. Now, we had to investigate the formation of the state as one of the critical moments of the formation and reproduction of capital relations by closely looking at the way in which the capitalist state has taken a particular form in the process of the development of class struggle in Korea.

Early Development of Capital Relations and the State in Korea

The initial formation of capitalist social relations in Korea was presented as having three main historical moments: Japanese colonisation and liberation, the subsequent U.S. control over Korea, and the Korean War. Japanese colonisation initiated a serious capitalist development in Korea by depriving the means of production and subsistence from farmers, turning traditional land-ownership into capitalist private property rights and commodifying the products of labour as well as labour power. However, the colonial capitalist development also left specific colonial features. As a whole, even if the separation of producers from the means of production and subsistence was achieved to a great extent, integration of the mass of the population into capitalist relations was far more limited. By the end of colonisation, the majority of the population still existed as surplus population, making their livings from within tenant-landlord relations and paying their rent to the landlords primarily with grain. Indeed, many of the industrial

workers in manufacturing sectors were mobilised and allocated by the colonial state and state agents often with feudal-like labour contracts managed by police and security unions. The Japanese colonial period also left the immature development of Korean capital and the capitalist class, since the vast majority of capital invested in Korea was by and for Japanese capital. During this period, the reality of the Korean capitalist class was far from a dominant social power. Contrary to the immature development of the capitalist class, the colonial development allowed the social power of the landlord class not to disappear, by making an alliance between the state and the landlord class in an attempt to effectively control the majority of the Korean population.

The sudden end of colonial capitalist development caused a deep crisis of the further development of capitalist social relations in the aftermath of the liberation. Most of all, it was the emerging workers' and peasants' movement that challenged the capitalist and landlord classes by occupying former Japanese-owned properties and thereby threatening reproduction of capital relations in the aftermath of liberation. It was the provisional government of the U.S. military that played the most significant role in stabilising the crisis after liberation through 1) establishing the Korean state 2) redistributing state-vested property to Korean capitalists and 3) demolishing the labour and peasant movements. A further development of capital relations was conditioned by the devastating Korean War, which followed the political turmoil during the post-liberation period and led to a complete decomposition of the working class in both Koreas by completely destroying the working class and peasants' movements. During and in the aftermath of the war, the social power of the landlord class also massively declined due to a revolutionary land reform in the South. By contrast, the state

apparatus survived through the war against the 'communist threat to freedom' and achieved a significantly increased organisational power as well as legitimacy.

During the post-war period, capital accumulation in Korea depended on the development of domestic firms that had access to raw materials and financial resources supplied by the U.S. aid program and dominated the almost non-competitive domestic commodity markets. In order to secure the exclusive allocation of raw materials and loans, it was necessary for these early individual capitals to hold a strong partnership with the state controlling foreign aid and imported raw materials. It was at this time that the early Korean *chaebols* began to appear by taking advantage of the state and thereby purchasing state-vested means of production and land at extremely low prices. Indeed, the state kept playing a significant role in further capitalist development by suppressing the collective power of the working class effectively, therefore guaranteeing the unilateral labour relation at the work places. This marked the beginning of the politicised formation and reproduction of capital relations, through which the state exercises dominant power over the working class as well as individual capitals. However, the early politicisation of capital relations was based on an 'immediate alliance' between a few individual capitals and the state, without making a distinction between the state and dominant class. As capital investment concentrated intensively on some specific sectors, relying on the raw materials from U.S. aid, capital faced realisation problems in the limited domestic markets and suffered from a shortage of resources due to significantly decreased foreign aid from 1958, so that this early development of the politicisation of capital relations reached an impasse. The state and capital attempted to overcome this difficulty either by speculative investment or at the

expanse of the working class by intensifying labour and extending working hours, causing massive resistance against deteriorating income distribution, mass unemployment and high inflation. Finally, the 'immediate alliance' between a few individual capitals and the government came up against the barrier of mass struggles against corrupt relations between public officials and individual capitalists. The reconstruction of capitalist social relations, based on this immediate alliance between a few capitalists and the state, was finally overthrown by the student movement.

The Politicised Formation and Reproduction of Capital Relations and the State

The Park Chung-hee government, which came into power through a military coup in 1961, continued to suppress the collective power of the working class by banning the labour movement and establishing the government-controlled FKTU, allowing individual capitals to continue to enjoy unilateral labour relations at the workplace. However, even if the state found its supreme role in suppressing the collective power of labour, the immediacy between political and economic domination appeared to be significantly resolved. In other words, the state appeared to be separated from the immediate dominant class since the state exercised its force not only against labour but also against individual capitals by putting them under institutionalised control on the basis of nationalised banks and financial institutions. The initiation of this politicised formation of capital relations, through which the state began to exercise strong leadership in nurturing capital and controlling labour, was a product of a particular historical context. On the one hand, after the economic and political turmoil in 1960,

which was caused by conflicts around the way in which capital accumulation took the form of a political state as an immediate alliance between individual capitals and the state, individual capitals could not organise themselves politically, because of their association with the Rhee Syng-man government, while the working class movement could not overcome the complete decomposition imposed on it through the Korean War nor could it develop as a dominant portion of the population. Rather, it was the military government that appeared to be an effective vehicle for development by making a clear distinction from the former corrupt government. On the other hand, pursuing export-based industrialisation, the Korean state finally responded to the continual attempts of the U.S. to integrate South Korea into a newly developing regional basis of capital accumulation in East Asia. According to developmental state theories, the basis of the so-called autonomous developmental state was laid by this transition in the early 60s. However, the transition, beginning with the emergence of Park's military government, was not the development of an autonomous state. Rather it was marked by the highly politicised formation and reproduction of capital relations, in which the state exercised its force to secure maximised exploitation of the working class by capital. The understanding of the Korean state as a developmental state autonomous from capital in the statist argument is therefore a mere mystification based on an ignorance of the simple 'fact' that the state, even if it exercised its leadership against 'individual capitals' in capitalist development, found its foremost role in contributing to suppressing the working class for the sake of early capital accumulation in Korea.

Under Park's regime, Korean economic development was momentous, relying on the maximised developmental leadership of the state against individual capitals and

suppressive control over collective labour as well as unlimited supply of labour from the large-scale surplus population. The particular elements of the capitalist development began to appear from the 60s in Korea, the big *chaebols* and the state's leadership in economic development. These were the forms taken by the politicised formation and reproduction of capital relations. However, the mystification of the state contributing to the massive capital accumulation became increasingly unstable as another particular moment of the politicised reproduction of capital relations developed. As capitalist industrialisation developed and the grass-roots resistance of labour developed against extreme exploitation, the state exercised its power to the extent that it gradually undermined the very basis of the mystification by provoking 'politicised class struggles'. In other words, the politicised reproduction of capital relations now provided the politicisation of class struggle against the state's control of labour. This caused the emergence of the democratic labour movement and the democratisation movement from the end of the 1960s and later led to the first crisis of the state at the end of the 1970s, when Korean capitalist development also began to suffer from the changing conditions of capital accumulation at a global level.

After the assassination of President Park, emerging class struggle could no longer be controlled by the state. The aspirations of the working class appeared in massive re-unionisation in a few months, providing an expectation of the demise of the repressive state. The crisis was stabilised through a disastrous collision between military and people in KwangJu, a southern city of Cholla province after another military coup by Chun Doo-hwan. Although the politicised reproduction of capital relations appeared to be resumed by another military government, the subsequent development of class

struggle shows us that the early settlement of capital relations was getting into a deep crisis. From the mid 1980s, the state could not control the re-emerging class struggle as effectively as Park's regime did in the 1960s and 1970s. Now class struggle appeared in the form of a more radicalised democratic labour movement, developing solidarity with the *Minjung* movement, in spite of draconian measures deployed by the Chun Doo-hwan government. Meanwhile, as capital accumulation developed and individual capitals were now able to find external funds without the mediation of the state, the state's grip on financial flows, and therefore control over individual capitals, began to weaken. Afterwards, the decade from 1987 was marked by the resurrection of the working class movement and by declining state power in terms of regulating individual capitals.

The Crisis of the Politicised Reproduction of Capital Relations

During the period between 1987 and 1997, the deconstruction of the early settlement of capital relations accelerated, marked by the increasing liberalisation of financial and commodity markets, in accordance with the growing demands of individual capitals for unregulated financial markets and international pressure over the protected domestic markets, on the one hand, and the organised labour movement challenging both unilateral labour relations at the workplaces and the state's suppressive labour policies, on the other. The organised labour movement critically undermined the early settlement of capital relations during the Great Workers' Struggle in 1987, through challenging the state regulation of collective labour and undermining unilateral labour relations on the

shop floor. Afterwards, developing its domination over individual workers at the workplaces and finally establishing a nation-wide confederation of the democratic trade unions, the labour movement continued to confront managerial authority at the workplace and the state's anti-labour policies and thereby make difficult a smooth transformation of capital relations at the expense of the working class.

After three-years boom between 1986 and 1988, Korean capital began to suffer from both growing labour costs and growing tendency to overaccumulation in the form of difficulty in exporting products into increasingly competitive global market. Facing this growing difficulty, the state and capital attempted to overcome the development of competitive pressure through the liberalisation of financial flows, which they thought would revitalise capital accumulation by making it possible for individual capitals to introduce new means of production and new products through credit expansion. This liberalisation led to the end of capital allocation by the state, which had been a primary element of the early settlement of capital relations in Korea. Individual capitals, particularly the *chaebols*, became more reluctant to follow the industrial policy of the state. Meanwhile, the state also attempted to control labour by sustaining its authoritarian control over trade unions and, most of all, institutionalising flexible measures that individual capitals introduced in order to effectively control individual workers. However, rather than bringing a fresh basis of capital accumulation, these caused instability of the financial basis of the *chaebols* due to growing dependency on short-term credit and more militant resistance of the working class, that appeared in the nation-wide general strike in 1997. Finally, the fall of the early configuration of capital relations and the contested transformation of the configuration, amalgamated with the

growing tendency to overaccumulation in the global markets, expressed themselves in the form of *a general crisis of reproduction of capital relations*.

Class Struggle, Capital Relations and the Form of the State in Transition

The ten-year period of contested transformation ended up with a deconstruction of the early settlement of capital relations, in which the intrinsic limitations of the politicised reproduction of capital relations were revealed. Capital accumulation, which had been sustained by massive credit expansion but had not been accompanied by successful reproduction of the relations of capitalist production at the expense of the working class, i.e., by more fundamental mobilisation of the methods for overcoming the tendencies to crisis, at last revealed its limit in the form of massive bankruptcies of individual capitals. It was not until the four-year restructuring period in the aftermath of the general crisis that a new social basis of further capital accumulation appeared in Korea. Apart from the immediate impact of the crisis on Korean society, the response of the Korean state to the unfolding of crisis, which showed a strong commitment to the IMF's stabilisation and structural adjustment policies, provoked a disastrous consequence. On the one hand, it kicked the debt-ridden individual capitals out of the markets. On the other, it forced individual capitals to withdraw planned investment, cut wages, downsize production and utilise mass lay-offs and other numerical employment adjustment measures in attempts not to be involved in the unfolding of crisis. The most devastating result appeared in the imposition of a great degree of job insecurity on the working class.

Although it risked massive devaluation of capital and a massive polarisation of society, it was through this misery and at the expense of the working class and small and medium size capitals that the revitalisation of capital accumulation in Korea has been finally made. The reconstruction of capital relations began with the Kim Dae-jung government's attempts to reform the corporate, financial and public sectors and the labour market in a way in which the so-called efficiency of the rule of the market could be enhanced. This reform brought measures to ameliorate transparency in corporate management, reduce government intervention in financial flows and inefficiency in the public sector. Most of all, those reforms accompanied and presupposed a fundamental reform of the so-called rigid labour market. The crisis offered the surviving individual capitals a great opportunity to introduce the 'flexible' arrangement of labour at the workplace, including irregular forms of employment contract, more competition-based personnel management and pay systems, full utilisation of which had been blocked by the unions' domination over the shop floor since the upsurge of the militant labour movement in the late 1980s. Facing this reformulation of workplace labour relations, the unions appeared to be impotent. In the meantime, the state also succeeded in institutionalising the market-based arrangement of employment relations.

Consequently, this restructuring process after the onset of the crisis, under the principle of market-based reforms, led to a transformation from the old settlement, in which capitalist development took the mystified form of the so-called developmental state, to a new settlement on the basis of the rule of money. Individual capitals now enjoy a full-fledged freedom in attracting external funds from the almost totally liberalised financial market without heavy-handed government intervention, even if

they are now losing the protection and privilege secured by the state. In this sense, now the state appears to be a regulator rather than a controller. The state's role in reproducing capital relations in favour of capital has also significantly changed since the way in which the subordination of the working class to capital is reproduced now relies most of all on the smooth operation of the labour market. The role of the state is in principle institutionalising and supervising the market rule in labour relations, selectively exercising its force against labour where the rule of the market is threatened. This new arrangement appears to be undermining the basis of the traditional militancy of the trade unions, as we saw in a case study of Hyundai Motors Workers Union.

However, the consequence of the contemporary transition of capital relations in Korea, as well as the form of the state, still remains to be seen because the restructuring of capital relations based on the marketisation of reproduction is unlikely to guarantee a smooth further reproduction of capital relations in Korea. First of all, the market-based reconstruction of capital relations, the implementation of which, however, relied in practice on the state re-deploying authoritarian measures, allowed a further development of a militant unionism, putting the state into an increasingly difficult situation in which it could not ensure a smooth operation of the so-called flexible labour market. While this politicised element of the transformation provided the working class's resistance with a politicised nature, the changing forms of employment provoked by the flexibilisation developed new forms and subjectivity of class struggles, such as irregular workers and public sector workers, through which the unresolved contradiction of the newly created basis of capital accumulation revealed itself.

In an attempt to explain the transformation of the form of the state without abstracting it from the reformulation of the totality of capital relations, we looked at the decline of the particular form of the Korean state, not in terms of the demise of the developmental state, but in terms of the transformation of the way in which capitalist social relations are organised and reproduced. We saw that there is a significant transformation from the 'old' settlement, in which the reproduction of capital relations largely relied on political regulation over individual capitals as well as labour, to a marketised composition in which the reproduction is more monetarised. At the same time, however, we also confirmed that, as far as social production relies on the subordination of the mass of the population to the expansion of capital, new forms and subjectivity of class struggle keep emerging and blur a clear-cut transformation of the capital relations as well as form of the state. As long as the working class resists the marketised subordination to capital and the state responds to the struggle by exercising its force, the politicisation of class struggle in Korea will continue to develop, accompanying another transition of the form of the state.

This possibility of the development of new forms and subjectivity of class struggle provides a further research agenda regarding changes in the state-form through further development of class struggle. The reformulation of capital relations on the basis of the marketisation of labour control during the recovery period created 1) the fragmentation of the working class, as we saw in the conflicts between organised regular workers and marginalised workers and again in the KCTU's somewhat impotent reaction toward the reformulation of the employment structure and 2) the potential subjectivity of class struggle, as we saw in the grassroots struggles by marginalised workers. At the same

time, a rapid reform on the basis of the rule of the market, however often backed by strong state intervention, created a political alliance, the political project of which lay in the belief in the positive role of the state in promoting more balanced marketisation by introducing a well-structured social safety-net. The further reformulation of the state is likely subjected to the further development of those results of the transitional period.

The late-blooming of statism in Korea reflects the fragmentation of the working class, particularly between the irregular and regular workers after the general crisis, and a political alliance between privileged sections of the working class and statist reformists, on the basis of a nationalist-statist agenda which is only sentimentally against market-only-based reform. This alliance is likely to open the reform process to the traditionally organised fraction of the working class, calling for a firmer and wider social consensus. If the range of the social alliance between statist and the working class can be widened and the organised sector of the working class is going to get closer to the state's reconstruction policies by showing a great degree of cooperation with statist reformism, the marginalised working class will again have to challenge both the authority of existing trade unionism and the state's reformist agendas, by developing it from scratch into a new movement. Another possibility is that the political alliance will be weakened and again fragmented into two groups i.e. social democrats, who might support the organisation of the marginalised section of the working class, and statist, who will possibly give up their ambitions for a social safety-net. No matter what happens, a further research agenda will be an examination of the width and depth of the impact of the social alliance between the working class and the statist in the context of the further

development of class struggle, particularly by the marginalised section of the working class, on the form of the Korean state.

Bibliography

Unpublished Documents

Han, Hyuk 2002, 'Teuksugoyongnodongja Jojikhwasaryebunseok' (An Analysis of the Unionisation of Workers in the Special Form of Employment), in Korean Confederation of Trade Unions 2002a (ed.), *Bijeongyujik Tujengsarey Bunseok Toronheo Jaryojip* (A Collection of Analyses of the Cases of the Struggle of Irregular Workers), Seoul: KCTU.

Hyundai Motors Workers Union 1998a, *Nosagan Goyongjojeonge Daehan Ipjangchaiwa Nodongjohapui Daeon* (Disagreement on Employment Adjustment between Labour and Management and Union's Suggestion for an Alternative), Ulsan: HMWU.

Hyundai Motors Workers Union 1998b, *Budanghan Jeonrihaegoreul Makgiwihan Nodongjohapui Noryuk* (Trade Union's Effort to Stop Unfair Layoffs), Ulsan: HMWU.

Hyundai Motors Workers Union 1999, *Jeipsajochie Ttareun Nosahwahae Hwakyakseo* (A Note for Reconciliation between Management and Employee in the Re-employment Process), Ulsan: HMWU.

Hyundai Motors Workers Union 2000, *Icheonnyunyun Habangi Nodongjohap Tujaengui Banghyang* (The Direction of the Union's Struggle in the Second Half of 2000), Ulsan: Department of Education of the HMWU.

Hyundai Motors Workers Union 2002, *Sanaehacheongnodongja Siltaejosabogoseo* (A Report on Subcontract Workers in Hyundai Motors Car), Ulsan: HMWU.

Hyundai Motors Workers Union and Hyundai Motors Car 1998, *Hyundai Jadongcha Goyongjojengwa Nosahwahapuelwihan Hapuimun* (An Agreement for Employment Adjustment and Reconciliation between Management and Employees), Ulsan: HMWU and HMC.

Kim, Dae-jung 1998, Inaugural Address by Kim Dae-jung, the 15th-term President of the Republic of Korea, http://www.ced.go.kr/english/library/press/print/php?f_nseq_tot=25527.

Kim, Hye-jin 2002, 'Giupdanwi Jojikhwasaryebunseok' (An Analysis of the Cases of Enterprise-Level Unionisation), in Korean Confederation of Trade Unions 2002a (ed.), *Bijeongyujik Tujengsarey Bunseok Toronheo Jaryojip* (A Collection of the Analyses of the Cases of the Struggle of Irregular Workers), Seoul: KCTU.

Kim, Yu-seon 2001, 'Bijeongyujikui Gyumowa Siltae' (The Scale and Reality of Irregular Workers), http://klsi.org/pds/downadd.asp?wp_id=123, Korea Labour & Society Institute.

Korea Development Bank 2001, Investment of Korean Capital: 73-98, Korean Development Bank, [http://www.kdb.co.kr/upload/BS001/108/2282/동기별시계열\(73-98\).xls](http://www.kdb.co.kr/upload/BS001/108/2282/동기별시계열(73-98).xls)

Korean Confederation of Trade Unions (KCTU) 1997a, 'The KCTU Proposal for An Agreement to Overcome the Economic Crisis', <http://www.kctu.org/arguments/sp004.htm>

Korean Confederation of Trade Unions (KCTU) 1997b, *1997 Saeopbogo Jaryomoeum* (1997 Year Book), Seoul: KCTU.

Korean Confederation of Trade Unions (KCTU) 1999, 'The KCTU Response to the Neo-Liberal Structural Adjustment Programme of the IMF and the Kim Dae Jung Government', http://www.kctu.org/aguments/attac_0624.doc

Korean Confederation of Trade Unions (KCTU) 2001b, 'Daewoo Jadongcha Gwanryeon Gyeonchalui Ingwonchimhae Siltaejosa Bogoseo' (A Report on Human Rights Violations by Police during Daewoo Car Workers Struggle), <http://cham3.jinbo.net/maybbs/view.php?db=kctuinfo2&code=press&n=1096&page>.

Korean Confederation of Trade Unions (KCTU) 2002b, *Imprisoned Trade Unionists in Korea*, Seoul: KCTU.

Korean Confederation of Trade Unions (KCTU) 2002c, 'What Powers the Angry Strike of the Electricity Workers?', <http://www.kctu.org/action%20alert/strike2002-07-publicutilities.htm>

Korean Federation of Transportation, Public and Social Service Union (KFTPSU) 2002a, *Gonggongyunmaeng BijeongyuNodongja Siltaejosagyulgwa* (A Report on Irregular Workers in KFTPSU Affiliated Firms), Seoul: KETPSU.

Korean Institute for Labour Studies & Policy (KLISP) 2000, 'Baljeonsaneop Gujojojeongui Pyungawa Gwaje' (Evaluation and Imperatives of the Restructuring of the Korea Electric Power Corporation)', <http://kilsp.jinbo.net/publish/etc/files/00gm-electro.html>

Korean Metal Workers Federation (KMWF) 2000, *Geumsoksaneop Goyongmunjewa Deung* (Employment Problem and Response in the Metal Industry), Seoul: KMWF.

Korean National Statistics Office 2002, 'The Ratio of Net Income to Sales in Manufacturing', http://kosis.nso.go.kr/cgi-bin/html_out.cgi?F=X2c1da_r503e.html

Lee, Ho-Dong, 'Beopjeong Choehujinsul' (the Last statement of the President of the KPIU in trial, 9th October 2002), <http://public.nodong.org/maybbs/view.php?db=kpsu&code=local&n=1368&page=92>

Lotte Hotel Trade Union 2001, 'Lotte Hotel Paeop Gyeongchalui Pokryeokjinape Ttareun Pihabosange Gwanhan Gijahoegyeonmun' (A Statement in Press Conference for a Claim for Compensation for the Damage Caused by the Government's Violent Suppression of the Lotte Hotel Strike), <http://cham.jinbo.net/maybbs/view.php?db=labornet&code=fastboard&n=582&page=18>

Ministry of Commerce, Industry and Energy (MOCIE) 2001, *OegukintujaIcheonilnyeon Gyeolgwawa Icheoninyun Jeonmang* (The Result of FDI in 2001 and Perspective for 2002), Seoul: MOCIE.

Ministry of Labour 2002, *Yeonbongje Seongwabaebunje Gyulgwabogoseo* (A Report on the Annual Salary and Outcome-sharing Systems), Seoul: Ministry of Labor.

Ministry of Planning and Budget 2001, *Icheonilnyeon Gonggongbumungaehyeok Chujinbanghyang* (The Direction of Public Sector Reform in 2001), Seoul: Ministry of Planning and Budeget.

Park, In-sang 2001, *Gukminui Jeongbu Nodongjeonchaekui Pyeongawa Gwaje* (An Assessment of Labour Policies of the Government of the People and Imperatives), Seoul: Parliamentary of the Republic of Korea.

Park, Young-sam 2002, 'An Analysis of Cases of Ultra-Firm Level Unionisation', in Korean Confederation of Trade Unions 2002a (ed.) *Bijeongyujik Tujengsarey Bunseok Toronhoe Jaryojip* (A Collection of the Analyses of the Cases of the Struggle of Irregular Workers), Seoul: KCTU.

Republic of Korea 1997a, 'IMF Stand-by Arrangement, Summary of Economic Program, December 5, 1997', <http://www.imf.org/external/np/oth/korea.htm>

Republic of Korea 1997b, 'Letter of Intent, December 24, 1997', <http://www.imf.org/external/np/loi/122497.htm>

Republic of Korea 1999, 'Overcoming a National Crisis, The Republic of Korea Rises Up Again', <http://www.ced.go.kr/english/library/reference/text/1year2.php>

Seoul Women's Trade Union (SWTU) 1999, *Barojigeum* (Right Now), No. 1, Seoul: SWTU.

Son, Jeong-sik 2001, 'Urinara Jihagyeongjegyumo' (The Scale of the Korean Black Economy), <http://www.phdjsj.pe.kr/wwwboard/bbs.cgi?db=sjs00020105&mode=read&num=127&p>

Interviews

Interview with Hyundai Motors Workers, No.1, 19th June 2002.

Interview with Hyundai Motors Workers, No.2, 21st June 2002.

Interview with Kim Hye-seon, the Secretary of Seoul Women's Trade Union, 7th February 2001.

Interview with Lee Kyung-seok, the President of Career In-Company-Subcontract Workers Union, 26th June 2002.

Newspapers and Magazines

Donga Daily Newspaper, 13th August 1987

Gyunghyang Daily News, 31st March 1995

Hankyurey 21 No. 434. 2002

Jungang Daily Newspaper, 11th August 1987

Korea Herald 26th April 2000.

Labour News 1st June 2002.

New York Times, 10th February 2003

Working Papers and Reports in English

- Balassa, Bela 1980, 'Structural Change in Trade in Manufactured Goods Between Industrial and Developing Countries', *World Bank Staff Working Paper, No. 396*, Washington: Johns Hopkins University Press.
- Cho, Hee-yeon 1996, 'State Autonomy and Class in the Economic Development of South Korea-Social Conditions of the South Korean Industrialisation', paper presented at *the Annual Meeting of the American Sociological Association*, New York, USA, 16th - 20th August 1996.
- Cho, Hee-yeon 1996, 'The Democratic Transition and the Change of Social Movements in South Korea', paper presented at *the Annual Meeting of the Association for Asian Studies on the Aftermath of Democratisation in South Korea*, Honolulu, USA, 11th - 14th April 1996.
- Cho, Yoon-je 1998, 'Financial Reform Experience of Korea', *Working Paper No 98-04*, Graduate School of International Studies, Sogang University, Seoul:Sogang University.
- Cho, Yoon-je 1999, 'The Political Economy of the Financial Liberalization and Crisis in Korea', *Working Paper No.99-06*, Graduate School of International Studies, Seoul:Sogang University.
- Cho, Yoon-je and Joon-kyung Kim 1995, 'Credit Policies and the Industrialisation of Korea', *World Bank Discussion Paper No. 286*, Washington: World Bank.
- Clarke, Simon 1984, *Monetarism and Unemployment*, Warwick Working Paper in Department of Sociology.

Dalla, Ismail and Deena Khatkhate 1995, 'Regulated deregulation of the Financial System in Korea', *World Bank Discussion Paper No. 292*, Washington: World Bank.

Fischer, Stanley 1998, 'The Asian Crisis: A View from the IMF', <http://www.imf.org/external/np/speeches/1998/012298.htm>

Greenspan, Alan 1998, 'Testimony of Chairman Alan Greenspan before the Committee on Banking and Financial Services, US House of Representatives January 30, 1998', <http://www.bog.frb.fed.us/boarddocs/testimony/19980916.htm>

Hong, Yoon-kyeong 2002, 'Unity Between Formal and Informal Workers at E-Land, Korea', Asian Labour Update, <http://www.amrc.org.hk/alu/Alu40/014004.htm>, Asia Monitor Resource Centre.

Hur, Jai-joon 2000, 'Korea's Experiences in Overcoming the Economic Crisis of the Late 1990s: Employment and Unemployment Measures', paper presented at *the KRIVET conference on 'Vocational Education and Training for All'*, Seoul, Korea, 18th - 20th October 2000.

Jessop, Bob 2000, 'Bringing the State Back in (Yet Again): Reviews, Revisions, Rejections and Redirection', <http://www.comp.lancs.ac.uk/sociology/soc070.html>

Kim, Se-Kyun 1994, 'Kim Young Sam Regime and the Labor Movement', paper presented at *the 16th World Congress of the International Political Science Association*, Berlin, Germany, 22nd - 26th August 1994.

Lee, Joo-hee 2000, 'The Financial Crisis, Search for Flexibility and Changes in Industrial Relation: The South Korean Case', paper presented at the

International Conference on Transforming Korean Business and Management Culture, Michigan State University, USA, 19th - 20th September 2000.

Lee, Kang-kook 1998, 'Change of the Financial System and Developmental State in Korea', paper presented in World Institute for Development Economics, <http://www-unix.oit.umass.edu/~kklee/study/change-e.doc>

Lee, Kang-kook 2000, 'Goodbye Capital Controls, Hello Capital's Controls: Political Economy of Capital Decontrols and the Crisis in Korea', Unpublished working paper, <http://www-unix.oit.umass.edu/~kklee/study/cc-ko.doc>

Ministry of Finance and Economy (MOFE) 2001, 'Corporate Restructuring Promotion Law Legislated', *Economic Bulletin*, August 2001: 25-7, Seoul: Republic of Korea.

Ministry of Finance and Economy (MOFE) 2002b, 'New Policies Map Development of Liberalized Foreign Exchange Market', *Economic Bulletin*, May 2002: 23-4, Seoul: Republic of Korea.

Park, Jun-sik 1995, 'New Managerial Strategy and The Changes of the Factory Regime in Korea: Focusing on the Big Companies of Manufacturing Sectors', Unpublished Working Paper, <http://www.hallym.ac.kr/~jsp>

Park, Jun-sik and Joo-hee Lee 1998, 'The Politics of Labor Reform in Korea: The Economic Crisis and Changes in the Employment Regime', paper presented at *the 14th World Congress of Sociology*, Montreal, Canada, 26th July - 1st August 1998.

Park, Woo-sung and Gyu-chang Yu 2000, 'Transformation and New Patters of HRM in Korea', paper presented at *the International Conference on Transforming*

Korean Business and Management Culture, Michigan University, USA, 19th - 20th September 2000.

Tripartite Committee 1998, 'Tripartite Joint Statement on Overcoming the Economic Crisis', *Economic Bulletin*, March 1998, Seoul: Republic of Korea.

World Bank 1999, 'Republic of Korea Establishing a New Foundation for Sustained Growth', *Report No. 19595 KO*, Poverty Reduction and Economic Management Unit, East Asian and Pacific Region.

Working Papers and Reports in Korean

Ahn, Joo-yup, Jun-mo Cho and Jae-ryang Nam 2001, *Bijeongyugeunroui Siltaewa Jeongchaekwaje* (The Reality of Irregular Work and Policy Imperatives), Unpublished working paper, Seoul: Korea Labor Institute.

Jeong, Seong-jin 1990, *Hanguk Gyeongje-eseo Marksbiyului Bunseok*, (A Study on Marxian Ratios in the Korean Economy), PhD Thesis, Department of Economics, Seoul National University, Korea.

Joint Committee for Abolishing Dispatched Labour 2000, 'Bijenogyujik Jojikhwaui Uimiwa Gwaje' (The Meaning and Imperatives of Organisation of Irregular Workers), paper presented at *Lecture on Irregular Workers*, Suwon University, Korea, 8th November 2000.

Kang, Sun-hee and Don-moon Cho 1997, *Nodongundongui Byunhwa: Heongooksujuneul Jungsimuero* (Changes in Labour Movement: Focusing on

- National Level Development), Unpublished Working Paper, Seoul: Korea Labour Institute.
- Kim, Dong-wook 1988, *Cheongubaekchilsimnyndae Nodongjeongchaekegwanhan Bunseokyeongu* (An Analytical Research on Korean Labour Policy in the 1970s), MA dissertation, Department of Sociology, Sogang University, Korea.
- Kim, Kwang-sik 1998, 'Tujaengi Ggeunange Anipnida. Saeoroun Chulbalueul Gyuluihapsida: Hyunsatae-ejeueumhan Wiwonjang Seongmyeongseo' (Struggle is Not Over. Let's Swear a New Start: a Statement about Present Row by the President of HMWU), *Hyunjaneseo Mirereul*, 36: 161-2.
- Kim, Sang-Gon. 2002, 'Gongongbumun Paeopgwa Hangukui Nodong-gwangye' (Public Sector Strikes and Korean Labour Relations), a paper presented at *the Summer Conference of the Korea Social and Economic Studies Association*, Seoul, 4th July 2002.
- Paik, Wook-in 1987, *Sikminjisidae Gyegeupgujoe Gwanhan Yeongu* (A Study on the Class Structure of Colonial Korea), MA dissertation, Department of Sociology, Seoul National University, Korea.
- Park, Jun-sik 1996, *Saensanui Jeongchiwa Jakoepjang Minjuuui* (Politics of Production and Workplace Democracy), Seoul: Hanul.
- Rho, Joong-Kee 1995, *Gukgaui Nodongtongje Jeonryake Gwanhan Yeongu: 1987-1992* (A Study on Labor Control Strategy of the State: 1987-1992), PhD Thesis, Department of Sociology, Seoul National University, Korea.

Yoon, Hyo-Won 2002, 'Interview with Lee Ho-dong, the President of the KPIU',

Nodonwasahoe

No.

64,

http://klsi.org/webzine/article_view.asp?no=699&hosu=64

Books and Journals in English

Altvater, Elmar 1978, 'Some Problems of State Interventionism: The Particularization of the State in Bourgeois Society', in John Holloway and Sol Picciotto (eds.) *State and Capital: A Marxist Debate*, London: Edward Arnold.

Amsden, Alice H. 1989, *Asia's Next Giant*, Oxford: Oxford University Press.

Amsden, Alice H. 1992, 'A Theory of Government Intervention in Late Industrialization', in Louis Putterman and Dietrich Rueshemeyer (eds.) *State and Market in Development: Synergy or Rivalry?*, London: Lynne Rienner Publishers.

Balassa, Bela 1982, *Development Strategies in Semi-industrial Economies*, London: Johns Hopkins University Press.

Bernard, Michael 1999, 'East Asia's Tumbling Dominoes: Financial Crises and the Myth of the Regional Model', *Socialist Register 1999*: 178-206

Blanke, Bernhard, Ulrich Jürgens and Hans Kastendiek 1978, 'On the Current Marxist Discussion on the Analysis of Form and Function of the Bourgeois State: Reflections on the Relationship of Politics to Economics', in John Holloway and Sol Picciotto (eds.) *State and Capital: A Marxist Debate*, London: Edward Arnold.

- Bonefeld, Werner 1992, 'Social Constitution and the Form of the Capitalist State', in Werner Bonefeld, Richard Gunn and John Holloway (eds.) *Open Marxism Vol. 1*, London: Pluto.
- Bonefeld, Werner 1993, *The Recomposition of the British State during the 1980s*, Aldershot: Dartmouth.
- Bonefeld, Werner 1996, 'Money, Equality and Exploitation: An Interpretation of Marx's Treatment of Money', in Werner Bonefeld and John Holloway (eds.) *Global Capital, National State and the Politics of Money*, London: Macmillan.
- Bonefeld, Werner, Alice Brown, and Peter Burnham 1995, *A Major Crisis?: The Politics of Economic Policy in Britain in the 1990s*, Aldershot: Dartmouth.
- Burnham, Peter 1996, 'Capital, Crisis and the International State System', in Werner Bonefeld and John Holloway (eds.) *Global Capital, National State and the Politics of Money*, London: Macmillan.
- Burkett, Paul and Martin Hart-Landsberg 1998, 'East Asia and the Crisis of Developmental Theory', *Journal of Contemporary Asia*, 28, 4: 435-56.
- Burkett, Paul and Martin Hart-Landsberg 2000, *Development, Crisis, and Class Struggle: Learning From Japan and East Asia*, New York: St Martin's Press.
- Burnham, Peter 1997, 'Globalisation: states, markets and class relations', *Historical Materialism* 1: 150-60.
- Cha, Dong-se, Kwang-suk Kim and Dwight H. Perkins (eds.) 1997, *The Korean Economy 1945-1995: Performance and Vision for the 21st Century*, Seoul: Korea Development Institute.

- Chang, Ha-joon 1998, 'South Korea: The Misunderstood Crisis', in Jomo K. S. (ed.) *Tigers in Trouble*, London: Hong Kong University Press.
- Chen, Ching-chin 1984, 'Police and Community Control Systems in the Empire', in Ramon H. Myer and Mark R. Peattie (eds.) *The Japanese Colonial Empire, 1895-1945*, Princeton: Princeton University Press.
- Cho, Hee-yeon and Eun Mee Kim 1998, 'State Autonomy and Its Social Conditions for Economic Development in South Korea and Taiwan', in Eun Mee Kim (ed.) *The Four Asian Tigers: Economic Development and the Global Political Economy*, London: Academic Press.
- Choi, Alex H. 1998, 'Statism and Asian Political Economy: Is There a New Paradigm?', *Bulletin of Concerned Asian Scholars*, 30, 3: 50-60.
- Clarke, Simon 1977, 'Marxism, Sociology and Poulantzas's Theory of the State', *Capital and Class*, 2: 1-31.
- Clarke, Simon 1978, 'Capital, Fractions of Capital and the State: neo-Marxist Analyses of the South African State', *Capital and Class*, 5: 32-77.
- Clarke, Simon 1988, *Keynesianism, Monetarism and the Crisis of the State*, Cambridge: Edward Elgar.
- Clarke, Simon 1990, 'The Marxist Theory of Overaccumulation and Crisis', *Science and Society*, 54, 4: 442-67.
- Clarke, Simon 1991a, *Marx, Marginalism and Modern Sociology: From Adam Smith to Max Weber*, London: Macmillan.

- Clarke, Simon 1991b, 'Overaccumulation, Class Struggle and the Regulations Approach', in Werner Bonefeld and John Holloway (eds.) *Post-Fordism and Social Forms*, London: Macmillan.
- Clarke, Simon 1991c, 'State, Class Struggle, and the Reproduction of Capital', in Simon Clarke (ed.) *The State Debate*, Basingstoke: Macmillan.
- Clarke, Simon 1991d, 'The State Debate', in Simon Clarke (ed.) *The State Debate*, Basingstoke: Macmillan.
- Clarke, Simon 1994, *Marx's Theory of Crisis*, Basingstoke: Macmillan.
- Clarke, Simon 1995, 'The Global Accumulation of Capital and the Periodisation of the Capitalist State Form', in Werner Bonefeld, Richard Gunn and John Holloway (eds.) *Open Marxism Vol. 1*, London: Pluto.
- Cleaver, Harry 2000, *Reading Capital Politically*, Edinburgh: AK Press.
- Coates, David 2000, *Models of Capitalism: Growth and Stagnation in the Modern Era*, London: Polity Press.
- Cumings, Bruce 1981, *The Origins of the Korean War, Vol. 1: Liberation and the Emergence of Separate Regimes 1945-1947*, Princeton: Princeton University Press.
- Cumings, Bruce 1984, 'The Legacy of Japanese Colonialism in Korea', in Ramon H. Myer and Mark R. Peattie (eds.) *The Japanese Colonial Empire, 1895-1945*, Princeton: Princeton University Press.
- Cumings, Bruce 1987, 'The Origins and Development of the Northeast Asian Political Economy: Industrial Sectors, Product Cycle, and Political Consequences', in

- Frederic C. Deyo (ed.) *The Political Economy of the New Asian Industrialisation*, Ithaca: Cornell University Press.
- Cumings, Bruce 1988, 'The World System and Authoritarian Regimes in Korea, 1948-1984', in Edwin A. Winckler and Susan Greenhalgh (eds.) *Contending Approaches to the Political Economy of Taiwan*, Armonk: An East Gate Book.
- Cumings, Bruce 1989, 'The Abortive Abertura: South Korea in the Light of Latin American Experience', *New Left Review*, 173: 5-32.
- Cumings, Bruce 1990, *The Origins of the Korean War, Vol 2: The Roaring of the Cataract 1947-1950*, Princeton: Princeton University Press.
- Cumings, Bruce 1997, *Korea's Place in the Sun: A modern History*, New York: Norton.
- Cumings, Bruce 1998, 'The Korean Crisis and the End of "Late" Development', *New Left Review* 231: 43-72.
- Deyo, Frederic C. 1987, 'State and Labour: Modes of Political Exclusion in East Asian Development', in Frederic C. Deyo (ed.) *The Political Economy of the New Asian Industrialism*, Ithaca, Cornell University Press.
- Deyo, Frederic C. 1989, *Beneath the Miracle: Labor Subordination in the New Asian Industrialism*, Berkeley: University of California Press.
- Elson, Diane 1979, 'The Value Theory of Labour', in Diane Elson (ed.) *Value: The Representation of Labour in Capitalism*, London: CSE Books.
- Engels, Fredrich 1985, *The Origin of the Family, Private Property and the State*, New York: Penguin.

- Evans, Peter 1987, 'Class, State and Dependence in East Asia: Lesson for Latin Americanists' in Frederic C. Deyo (ed.) *The Political Economy of the New Asian Industrialisation*, Ithaca: Cornell University Press.
- Evans, Peter 1989, 'Predatory, Developmental, and Other Apparatuses: A Comparative Political Economy Perspective on the Third World State', *Sociological Forum*, 4, 4: 561-87.
- Evans, Peter 1992, 'The State as Problem and Solution: Predation, Embedded Autonomy, and Structural Change', in Stephen Haggard and Robert R. Kaufman (eds.) *The Politics of Economic Adjustment*, Princeton: Princeton University Press.
- Evans, Peter 1995, *Embedded Autonomy: States and Industrial Transformation*, Princeton: Princeton University Press.
- Evans, Peter 1996, 'Government Action, Social Capital and Development: Reviewing the Evidence on Synergy', *World Development*, 24, 6: 1119-32.
- Evans, Peter and Detrich Rueshemeyer 1985, 'The State and Economic Transformation: Toward an Analysis of the Conditions Underlying Effective Intervention', in Theda Skocpol et al. (eds.) *Bringing the State Back In*, Cambridge: Cambridge University Press.
- Financial Supervisory Commission 2000, *Financial Reform & Supervision in Korea 2000*, Seoul: FSC.
- Fine, Ben and Colin Stoneman 1996, 'Introduction: State and Development', *Journal of Southern African Studies*, 22, 1: 5-26.

- Friedman, Milton 1962, *Capitalism and Freedom*, Chicago: University of Chicago Press.
- Garon, Sheldon 1987, *The State and Labor in Modern Japan*, Berkeley: University of California Press.
- Haggard, Stephan 1990, *Pathways from the Periphery: The Politics of Growth in the Newly Industrialising Countries*, Ithaca: Cornell University Press.
- Haggard, Stephan 2000, *The Political Economy of the Asian Financial Crisis*, Washington: Institute for International Economics.
- Haggard, Stephan and Chung-In Moon 1991, 'Institutional and Economic Policy: Theory and a Korean Case Study', *World Politics*, 42, 2: 210-37
- Haggard, Stephan and Chung-In Moon 1993, 'The State, Politics, and Economic Development in Postwar South Korea', in Hagen Koo (ed.) *State and Society in Contemporary Korea*, New York: Cornell University Press.
- Haggard, Stephen and Robert R. Kaufman 1995, *The Political Economy of Democratic Transition*, Princeton: Princeton University Press.
- Hart-Landsberg, Martin 1993, *The Rush to Development: Economic Change and Political Struggle in South Korea*, New York: Monthly Review Press.
- Hirsch, Joachim 1978, 'The State Apparatus and Social Reproduction: Elements of a Theory of the Bourgeois State', in John Holloway and Sol Picciotto (eds.) *State and Capital: A Marxist Debate*, London: Edward Arnold.
- Ho, Pao-san Samuel 1984, 'Colonialism and Development: Korea, Taiwan, and Kwantung', in Ramon H. Myer and Mark R. Peattie (eds.) *The Japanese Colonial Empire, 1895-1945*, Princeton: Princeton University Press.

- Holloway, John 1991, 'The State and Everyday Struggle', in Simon Clarke (ed.) *The State Debate*, Basingstoke: Macmillan.
- Holloway, John 1992, 'Crisis, Fetishism, Class Composition', in Werner Bonefeld, Richard Gunn and John Holloway (eds.) *Open Marxism, Vol.2*, London: Pluto.
- Holloway, John 1995, 'From Scream of Refusal to Scream of Power', in Werner Bonefeld, Richard Gunn and John Holloway (eds.) *Open Marxism, Vol. 3*, London: Pluto.
- Holloway, John 1996, 'Global Capital and the National State', Werner Bonefeld and John Holloway (eds.) *Global Capital, National State and the Politics of Money*, Basingstoke: Macmillan.
- Holloway, John and Sol Picciotto 1991, 'Capital, Crisis and the State', in Simon Clarke (ed.) *The State Debate*, Basingstoke: Macmillan.
- Jayasuriya, Kanishka 2000, 'Authoritarian liberalism, governance and the emergence of the regulatory state in post-crisis East Asia', in Richard Robison et al. (eds.) *Politics and Markets in the Wake of the Asian Crisis*, London: Routledge.
- Jayasuriya, Kanishka 2001, 'Globalization and the changing architecture of the state: the regulatory state and the politics of negative co-ordination', *Journal of European Public Policy*, 8, 1: 101-23.
- Jeong, Joo-yeon 1997, 'The Recent Evolution of Korean Enterprise Bargaining: A Neglected Face of Korean Industrial Relations', *The Journal of Labour Studies*, 14: 52-69.
- Jessop, Bob 1982, *The Capitalist State*, Oxford: Martin Robertson.

- Johnson, Chalmers 1982, *MITI and the Japanese Miracle: the Growth of Japanese Industrial Policy, 1925-1975*, Stanford: Stanford University Press.
- Johnson, Chalmers 1985, 'Political Institutions and Economic Performance: The Government-Business Relationship in Japan, South Korea and Taiwan', in Robert A. Scalapino, Seizaburo Sato and Jusuf Wanandi (eds.) *Asian Economic Development-Present and Future*, Berkeley: University of California Press.
- Johnson, Chalmers 1986, 'The Nonsocialist NICs: Comments', *International Organization*, 40, 2: 547-75.
- Johnson, Chalmers 1995, *Japan: Who Governs? The Rise of the Developmental State*, New York: Norton.
- Johnson, Chalmers 1999 'Developmental State, The Odyssey of Concept', in Meredith Woo-Cummings (ed.) *Developmental State*, London: Polity.
- Kay, Geoffrey 1979, 'Why Labour is the Starting Point of Capital', in Diane Elson (ed.) *Value: The Representation of Labour in Capitalism*, London: CSE Books.
- Kay, Geoffrey and James Mott 1982, *Political Order and The Law of Labour*, London: Macmillan.
- Kim, Eun Mee 1993, 'Contradictions and Limits of a Developmental State: With Illustrations from the South Korean Case', *Social Problems*, 40, 2: 228-49.
- Kim, Eun Mee 1997, *Big Business, Strong State: Collusion and Conflict in South Korean Development, 1960-1990*, New York, State University of New York Press.

- Kim, Eun Mee 1999, 'Crisis of the Developmental State in South Korea', *Asian Perspective*, 23, 2: 35-55.
- Kim, Eun-Mee 2000, 'Globalisation of the South Korean *Chaebol*', in' Samuel Kim (ed.) *Korea's Globalisation*, Cambridge: Cambridge University Press.
- Kim, Kwang-suk and Joon-kyung Kim 1997, 'Korean Economic Development: An Overview', in Dong-se Cha, Kwang-suk Kim and Dwight H. Perkins (eds.) *The Korean Economy 1945-1995: Performance and Vision for the 21st Century*, Seoul: Korea Development Institute.
- Kim, Yong-cheol and Chung-in Moon 2000, 'Globalization and Workers in South Korea', in Samuel Kim (ed.) *Korea's Globalisation*, Cambridge: Cambridge University Press.
- Kim, Yun-bae and Gyeong-joon Yu 2000, *Wages in Korea*, Seoul: Korean Development Institute.
- Kohil, Atul 1994, 'Where Do High Growth Political Economies Come From? The Japanese Lineage of Korea's "Developmental State"', *World Development*, 22, 9: 1269-93.
- Koo, Hagen 1987, 'The Interplay of State, Social Class, and World System in East Asian Development: The Case of South Korea and Taiwan', in Frederic. C. Deyo (ed.) *The Political Economy of the New Asian Industrialisation*, Ithaca: Cornell University Press
- Koo, Hagen 1990, 'From Farm to Factory: Proletarianization in Korea', *American Sociological Review*, 55: 669-81.

- Koo, Hagen 1993, 'Beyond State-Market Relations', in Hagen Koo (ed.) *State and Society in Contemporary Korea*, New York: Cornell University Press.
- Koo, Hagen 1993, 'Strong State and Contentious Society', in Hagen Koo (ed.) *State and Society in Contemporary Korea*, New York: Cornell University Press.
- Koo, Hagen 1993, 'The State, *Minjung*, and the Working Class in South Korea', in Hagen Koo (ed.) *State and Society in Contemporary Korea*, New York: Cornell University Press.
- Koo, Hagen 2000, 'The Dilemmas of Empowered Labour in Korea', *Asian Survey*, 40, 2: 227-50.
- Koo, Hagen 2001, *Korean Workers: The Culture and Politics of Class Formation*, Ithaca: Cornell University Press.
- Koo, Hagen 2002, 'Engendering civil society: The role of the labour movement', in Charles K. Armstrong (ed.) *Korean Society: Civil Society, democracy and the state*, London: Routledge.
- Koo, Hagen and Eun Mee Kim 1992, 'The Developmental State and Capital Accumulation in South Korea', in Richard P. Appelbaum and Jeffrey Henderson (eds.) *States and Development in the Asian Pacific Rim*, London: Sage.
- Krause, Lawrence B. 1997, 'The Political Economy of South Korea: Fifty Years of Macroeconomic Management, 1945-1995', in Dong-Se Cha, Kwang-suk Kim and Dwight H. Perkins (eds.) *The Korean Economy 1945-1995: Performance and Vision for the 21st Century*, Seoul: Korea Development Institute.

- Krueger, Anne O. 1978, *Liberalisation Attempts and Consequences*, Cambridge: Ballinger Publishing Company.
- Krueger, Anne O. 1979, *The Developmental Role of the Foreign Sector and Aid*, Harvard: Harvard University Press.
- Krueger, Anne O. 1984, 'Comparative Advantage and Development Policy 20 Years Later', in M. Syrquin, L. Taylor and L. E. Westphal (eds.) *Economic Structure and Performance*, London: Academic Press.
- Krueger, Anne O. 1990, 'Government Failure in Development', *Journal of Economic Perspectives*, 4, 3: 9-23.
- Krueger, Anne O. 1995, *Political Economy of Policy Reform in Developing Countries*, Cambridge: The MIT Press.
- Krueger, Anne. O. 1991 'Industrial Development and Liberalisation', in Lawrence B. Krause and Kihwan Kim (eds.) *Liberalisation in the Process of Economic Development*, Berkeley: University of California Press,
- Kuusinen, O. 1961, *Fundamentals of Marxism-Leninism*, London: Lawrence and Wishart.
- Lal, Deepak 1983, *The Poverty of 'Development Economics'*, London: Institute of Economic Affairs.
- Lee, Ki-baik 1984, *A New History of Korea*, Cambridge: Harvard University Press.
- Lee, Young-youn and Hyun-hoon Lee 2000, 'Korea: Financial Crisis, Structural Reform and Social Consequences', in Tran Van Hoa (ed.) *The Social Impact of the Asia Crisis*, Basingstoke: Palgrave.

- Leftwich, Adrian 2000, *States of Development: On the Primacy of Politics in Development*, Oxford: Blackwell.
- Lenin, Vladimir. I. 1970a 'The State and Revolution', in *Selected Works Vol. 2*, Moscow: Progress Publishers.
- Lenin, Vladimir. I. 1970b 'The State', in *Selected Work Vol. 3*, Moscow: Progress Publishers.
- Lenin, Vladimir. I. 1970c 'Three sources and Three Component Parts of Marxism', in *Selected Works Vol. 1*, Moscow: Progress Publishers.
- Lim, Timothy C. 1998, 'Power, Capitalism, and the Authoritarian State in South Korea', *Journal of Contemporary Asia*, 28, 4: 457-83.
- Lockwood, William 1968, *The Economic Development of Japan: growth and structural change*, Princeton: Princeton University Press.
- Luedde-Neurath, Richard 1988, 'State Intervention and Export-oriented Development in South Korea', in Gordon White (ed.) *Developmental States in East Asia*. London: Macmillan.
- Martin, J. P. and R. Torres 2001, 'Korean Labor Market and Social Safety-net Reforms: Challenges and Policy Requirements', paper presented at the Forum on *Labor Market Reforms in Korea*, Korea Labor Institute, Seoul, February 2001.
- Marx, Karl 1963, *Theories of Surplus Value*, Part 1, Moscow: Foreign Language Publishing House.
- Marx, Karl 1968, *Theories of Surplus Value*, Part 2, Moscow: Foreign Language Publishing House.

Marx, Karl 1971a, *Theories of Surplus Value*, Part 3, Moscow: Foreign Language Publishing House.

Marx, Karl 1971b, *A Contribution to the Critique of Political Economy*, London: Lawrence and Wishart.

Marx, Karl 1975a, 'Comments on James Mill', in *Marx and Engels Collected Works (CW) Vol. 3*, London: Lawrence and Wishart.

Marx, Karl 1975b, 'The Holy Family', in *Marx and Engels Collected Works (CW) Vol. 4*, London: Lawrence and Wishart.

Marx, Karl 1976a, 'The German Ideology', in *Marx and Engels Collected Works (CW) Vol. 5*, London: Lawrence and Wishart.

Marx, Karl 1976b, 'The Poverty of Philosophy', in *Marx and Engels Collected Works (CW) Vol. 6*, London: Lawrence and Wishart.

Marx, Karl 1976c, *Value: Studies by Karl Marx*, London: New Park Publications.

Marx, Karl 1977, 'Wage Labour and Capital', in *Marx and Engels Collected Works (CW) Vol. 9*, London: Lawrence and Wishart.

Marx, Karl 1978, 'The Value-Form', *Capital and Class* 4: 134-50.

Marx, Karl 1981, 'Critique of Hegel's Doctrine of the State', in *Early Writings*, New York: Penguin,

Marx, Karl 1990a, 'Results of the Immediate Process of Production', in *The Capital Vol. 1*, New York: Penguin

Marx, Karl 1990b, *The Capital Vol. 1*, New York: Penguin.

- Marx, Karl 1991, *The Capital Vol. 3*, New York: Penguin.
- Marx, Karl 1992, *The Capital Vol. 2*, New York: Penguin.
- Marx, Karl 1993, *Grundrisse*, New York: Penguin.
- Marx, Karl and Friedrich Engels 1998, *The Communist Manifesto*, New York: Verso.
- Miliband, Ralph 1987, *The State in Capitalist Society*, London: Quartet Books.
- Ministry of Finance and Economy (MOFE) 2002a, *Going For Goal: Korea Faces the Challenge of Globalization*, Seoul: MOFE.
- Moon, Chung-In 1994, 'Changing Patterns of Business-Government Relations in South Korea', in Andrew MacIntyre (ed.) *Business and Government in Industrialising Asia*, Sydney: Allen & Unwin.
- Müller, Wolfgang and Christel Neusüss 1975, 'The Illusion of State Socialism and the Contradiction between Wage Labour and Capital', *Telos*, 25: 13-90.
- Müller, Wolfgang and Christel Neusüss 1978, 'The Illusion of State Socialism and the Contradiction between Wage Labour and Capital', in John Holloway and Sol Picciotto (eds.) *State and Capital: A Marxist Debate*, London: Edward Arnold.
- Neary, Michael 2000, 'Hyundai Motors 1998-1999: the anatomy of a strike', *Capital & Class*, 70: 1-7.
- Neary, Mike and Ana C. Dinerstein (eds.) 2002, *The Labour Debate: An Investigation into the Theory and Reality of Capitalist Work*, Aldershot: Ashgate.
- OECD 1999, *Economic Surveys 1998-1999: Korea*, Paris: OECD.
- OECD 2000a, *Economic Surveys 1999-2000: Korea*, Paris: OECD.

- OECD 2000b, *Pushing Ahead with Reform in Korea: Labour Market and Social Safety-Net Policies*, Paris: OECD.
- Ogle, George E. 1990, *South Korea: Dissent within the Economic Miracle*, London: Zed Books
- Öniş, Ziya 1991, 'The Logic of the Developmental State', *Comparative Politics*, 24, 1: 109-26.
- Patnaik, Prabhat 1999, 'Capitalism in Asia at the End of the Millennium', *Monthly Review*, 51, 3: 53-70.
- Park, Chung-hee 1970, 'The Dawn of a New Era: Inaugural address on 17th December 1963', in Shin Bum-shik (ed.) *Major Speeches By Korea's Park Chung Hee*, Seoul: Hollym Corporation Publishers.
- Park, Woo-sung 2000, 'The Transformation of HRM after the Economic Crisis', in Korean Labour Institute (ed.) *Transformation of HRM and Employment Relations after the Economic Crisis*, Seoul: KLI.
- Postone, Moishe 1996, *Time, Labour, And Social Domination: A reinterpretation of Marx's critical theory*, Cambridge: Cambridge University Press.
- Poulantzas, Nicos 1969, 'The Problem of the Capitalist State', *New Left Review*, 58: 67-78.
- Poulantzas, Nicos 1973, *Political Power and Social Classes*, London: Verso.
- Poulantzas, Nicos 1978, *Classes in Contemporary Capitalism*, London: Verso.
- Rubin, Isaac I. 1978, 'Abstract Labour and Value in Marx's System', *Capital and Class*, 5: 107-39.

- Rubin, Isaac I. 1979, *A History of Economic Thought*, London: Ink Links.
- Rubin, Isaac I. 1990, *Essays on Marx's Theory of Value*, New York: Black Rose Books.
- Skocpol, Theda 1985 'Bringing the State Back In: Strategies of Analysis in Current Research', in Theda Skocpol et al. (eds.), *Bringing the State Back In*, Cambridge: Cambridge University Press.
- Suh, Dae-sook 1967, *The Korean Communist Movement, 1918-48*, Princeton: Princeton University Press.
- Wade, Robert 1988, 'The Role of Government in Overcoming Market Failure: Taiwan, Republic of Korea and Japan', in Helen Hughes (ed.) *Achieving Industrialisation in East Asia*, Cambridge: Cambridge University Press.
- Wade, Robert 1990, *Governing The Market: Economic Theory and the Role of Government in East Asian Industrialisation*, Princeton: Princeton University Press.
- Wade, Robert 1998, 'The Asian Debt-and-development Crisis of 1997-?: Causes and Consequences', *World Development*, 26, 8: 1535-53.
- Wade, Robert 2000, 'Wheels Within Wheels: Rethinking the Asian Crisis and the Asian Model', *Annual Reviews of Political Science*, 2000, 3: 85-115.
- Wade, Robert and Frank Veneroso 1998a, 'The Asian Crisis: The High Debt Model Versus the Wall street-Treasury-IMF Complex', *New Left Review*, 228: 3-24
- Wade, Robert and Frank Veneroso 1998b, 'The Gathering World Slump and the Battle Over Capital Controls', *NewLeft Review*, 231: 13-42.
- Weiss, Linda 1998, *The Myth of Powerless State*, New York: Cornell University Press.

- Weiss, Linda and John M. Hobson 1995, *States and Economic Development: A Comparative Historical Analysis*, Cambridge: Polity Press.
- Westphal, Lary E. 1978, 'The Republic of Korea's Experience with Export-Led Industrial Development', *World Development*, 6, 3: 347-82.
- Westphal, Lary E. 1990, 'Industrial Policy in an Export-propelled Economy: Lesson from South Korea's Experience', *Journal of Economic Perspective*, 4, 3: 41-59.
- Westphal, Lary E. and Kwang-suk Kim 1982, 'Korea', in Bela Balassa (ed.) *Dvelopment Strategies in Semi-industrial Economies*, London: Johns Hopkins University Press.
- White, Gordon and Robert Wade 1988, 'Developmental States and Markets in East Asia: An introduction', in Gordon White (ed.) 1988, *Developmental States in East Asia*, London: Macmillan.
- Wood, Ellen M. 1999, *Democracy Against Capitalism: Renewing Historical Materialism*, Cambridge: Cambridge University Press.
- World Bank 1981, *World Development Report*, New York: Oxford University Press.
- World Bank 1993, *The East Asian Miracle: Economic Growth and Public Policy*, Oxford: Oxford University Press.

Books and Journals in Korean

- Chio, Hyung-gi and Bum-sang Yu 2000, 'Noh Tae-woo Jeongwongwa Nodongbeopgaejeong Sidodeul' (Noh Tae-woo Administration and Attempts to Revise the Labour Law: 1990~92), in Choi et al. (eds.) *Nodongbeopgaejeongwa*

- Nosagwangye* (Labour Law Revision and Labour Relations in Korea), Seoul: KLI.
- Cho, Hyo-rae 2001, 'Nodonghwangyeongui Byeonhwawa Mosaek' (Changes in the Circumstances of Labour and Attempt), in Choi et al. (eds.) *Cheongubaekpalsipchilnyeon Ihu Hangukui Nodongundong* (Korean Labour Movement After 1987), Seoul: KLI.
- Cho, Sun-gyung and Sook-jin Lee 1995, *Naengjeonchejewwa Saengsanui Jeongchi: Migunjeongiui Nodongjeongchaekwa Nodongundong* (The Coldwar System and the Politics of Production: Labour Policies and the Labour Movement under the U.S. Army Military Government), Seoul: Ehaw Women's University Press
- Choi, Jang-jip 1997, *Hangukui Nodongundongwa Gukga* (Labour Movement and the State in Korea), Seoul: Nanam.
- Choi, Yong-Ho 1999, 'Cheongubaekchilsipnyeondae Jeonbangiui Gyeongjejeongchaekwa Saneopgujoui Byeonhwa' (Changes of economic policies and industrial structure in the early 1970s), in the Academy of Korean Studies (ed.) *Cheongubaekchilsipnyeondae Jeonbangiui Jeongchisahoebyeondong* (The Socio-Political Change of Republic of Korea in the Early 1970s), Seoul: Baiksanseodang.
- Chun, Byung-yu 2002, 'Gyeonjewigiihoo Nodongsijanuiyuyeonhwa' (The Flexibilisation of labour market after economic crisis), *Monthly Labour Trends*, 2002, 4: 1-10, Seoul: KLI.

- Chung, Gun-hwa 1998, 'Gukminsaenghwal' (National Life), in Korean Social Science Institute (ed.) *Diagram Hangukgyeongje* (Diagram Korean Economy), Seoul: Uiam Publishing.
- Council of Korean Trade Union 1997, *Jeonnohyeopbaekseo Vol. 1* (Council of Korean Trade Union White Paper Vol. 1), Seoul: CKTU.
- Federation of Korean Trade Union 1979, *Hanguknodongjohapundongsa* (The History of Korean Trade Union Movement), Seoul: FKTU.
- Ihn, Jeong-sik 1946, *Chosonui Tojimunje* (Land Problem in Joseon), Seoul: Cheongsusa.
- Kang, Soo-dol 2001, *Nodongui Huimang* (Hope of Labour), Seoul: Ihoo.
- Kim, Dong-chun 1995, *Hanhuksahoe Nodongja Yeongu* (A Study on Workers in Korean Society), Seoul: Yeoksabipyong.
- Kim, Dong-chun 2000, *Jeonjaengwa Sahoe: Uriege Hangukjeonjaenguen Mueosioena?* (War and Society: What was the Korean War for us?), Seoul: Dolbegae.
- Kim, Gyung-il 1992, *Iljeha Nodongundongsa* (The History of the Labour Movement under the Japanese Imperial Regime), Seoul: Changjakwa Bipyong.
- Kim, Hyung-gi 1985, 'Nodongja Kyegeuui SeongJang Mit Naebuguseongkwa Juchae Hyunngseong' (The Growth of the Working Class, Change of the Inner-Composition and the Formation of Subjectivity), in Hyun-Chae Park et al. (eds.) *Hanguk JabonJuuiwa Nodongmunjae* (Korean Capitalism and the Labour Problem), Seoul: Dolbegae.
- Kim, Hyung-gi 1988, *Hangukui Dokjeomjabongwa Imnodong: Dokjeomjabonjuuiha Imnodongui Irongwa Hyeonsangbunseok* (Monopoly Capital and Wage Labour

- in Korea: An Analysis of the Theory and Phenomena of Wage Labour under the Subordinate Monopoly Capitalism), Seoul: Ggachi.
- Kim, Hyun-gi 1997, *Hanguk Nosagwangyeui Jeongchigyeongjehak* (The Political Economy of Korean Labour Relation), Seoul: Hanul.
- Kim, Nak-jung 1982, *Hanguknodongundongsa* (The History of Korean Labour Movement), Seoul: Cheongsa.
- Kim, Sang-jo 1998, 'Geumyung, Jabon Sijang' (Financial and Capital Market), in Korean Social Science Institute (ed.), *Diagram Hangukgyeongje* (Diagram Korean Economy), Seoul: Ŭiam Publishing.
- Kim, Sang-on et al. 1997, *Hangukgyeongjeui Gujobyeonhwa* (Change of the Structure of the Korean Economy), Ulsan: Ulsan University Press.
- Kim, Yun-hwan 1983, 'Geundaejeok Imgeumnodongui Hyungseongwajeong' (The Process of the Formation of Modern Wage Labour), in Kim et al. (eds.) *Hanguk Nodongmunjeui Insik* (Understanding Korean Labour Problems), Seoul: Dongnyeok.
- Korean Confederation of Trade Unions (KCTU) 2001a, *Minjunojo, Tujaengwa Tanapui Yeoksa* (Democratic Trade Unions: A history of struggle and suppression 1970-2000), Seoul: Hyunjangeseo Mirereul.
- Korean Federation of Transportation, Public and Social Service Union (KFTPSU) 2002b, 'Kim Dae-Jung Jeongbuui Gonggongbumun Gujojojeong: Pyungawa Daeunggwaje' (Public Sector Structural Adjustment under Kim Dae-Jung's Government: Evaluation and Policy Response), in Seong-Gu Kim and Yong-Bo

- Shim (eds.) *Sinjayujuuiwa Gonggongbumun Gujojojeong* (Neo-liberalism and Public Sector Structural Adjustment), Seoul: Munhwagwahaksa.
- Korean Institute for Labor Studies & Policy (KLISP) et al. (eds.) 2000, *Gujojojeongwa Hyunjangtongje Deungjeonryak* (Structural Adjustment and Counter-Strategy to Workplace Control), Seoul: Nodongjeonseon.
- Korean National Council of Churches (KNCC) 1984, *Nodonghyeonjangwa Jeungeon* (Workplace and Testimony), Seoul: Pulbit.
- Kwon, Hye-ja 2001, 'Kim Dae-jung Jeongbuui Goyongjeongchaekpyeonga' (An Evaluation of the Employment Policy of the Kim Dae-jung Government)', in Hye-ja Kwon et al. (ed.) *Kim Dae-Jung Jeongbuui Nodonggwanyeonjeongchaekpyeonga* (An Evaluation of Labour Policy of the Kim Dae-jung Government), Seoul: FKTU.
- Lee, Byungchon 1999, 'Hangukui Gyeongjewigiwa IMF Cheje: Jongsokjeok Sinjayujuuiui Moheom' (Korean Economic Crisis and IMF Regime: An Adventure of Dependent Neo-liberalism), in the Korean Social Economics Society (ed.) *Sinjayujuuiwa Gukgaui Jaedojeon* (Neo-liberalism and the Re-challenge of the State), Seoul: Pulbit.
- Lee, Byung-hee and Deok-soon Hwang 2000, 'Gyeongjewigiihu Nodongsijanggujoui Byeonhwa' (The Change in the Labour Market Structure after the Economic Crisis), in Jin-ho Yun and Choel-gyu Yu (eds.) *Gujojojeongui Jeonchigyeongjehak* (The Political Economy of Structural Adjustment), Seoul: Pulbit.

- Lee, Jae-hee 1999, 'Cheongubaekchilsipnyeondae Hubangiui Gyeongjeongchaekwa Saneopgugui Byeonhwa: Junghwahakgonggeopuel Jungsimuero' (Changes of Economic Policies and Industrial Structure in the late 1970s: focusing on heavy industrialisation), in the Academy of Korean Studies (ed.) *Cheongubaekchilsipnyeondae Hubangiui Jeongchisahoemyeondong* (The Socio-Political Change of Republic of Korea in the Late 1970's), Seoul: Baeksanseodang.
- Lee, Sang-chul and Jae-heon Ryu 1993, 'Gujojeongui Baljeon' (The Development of the Structural Adjustment), in Korean Association for Industrial Society Studies (ed.) *Hangukgyeongje Gujojeongwa Nodongjagyegeup* (The Structural Adjustment of the Korean Economy and the Working Class), Seoul. Nokdu.
- Lee, Soo-won 1994, *Hyundaigroup Nodongundong, Gue Gyeokdongui Yeoksa* (The Labour Movement in Hyundai, the Dynamic History), Seoul: Daeryuk.
- Lim, Hwi-cheol 1998, 'Sanoepgyeonje' (Industrial Economy), in Korean Social Science Institute (ed.) *Diagram Hangukgyeongje* (Diagram Korean Economy), Seoul: Uiam Publishing.
- Moon, Young-joo and Gyu-jin Song 2000, 'Sikminji Jabonjuuiui Wigiwa Paguk' (The Crisis and Collapse of Colonial Capitalism), in Man-gil Kang (ed.) *Hanguk Jabonjuuiui Yuksa* (The History of the Korean Capitalism), Seoul: Yeoksabipyeongsa.
- Park, Dong-cheol 1994, 'Hanguk Gyunjeui Heureum' (The Current of the Korean Economy), in Jin-ho Yun et al. (eds.) *Hangukgyeongjegangui* (A Lecture on Korean Economy), Seoul: Hanul.

- Park, Dong-cheol 1999, 'Cheongubaekyuksipnyeondae Gieopjipdanui Hyeongseongwa Gujo' (The Formation and Structure of Enterprises in the 1960s), in the Academy of Korean Studies (ed.) *Cheongubaekyuksipnyeondae Hangukui Gongeophwawa Gyeongjegujo* (The Industrialization and the Economic Structure of Korea in 1960s), Seoul: Baiksanseodang.
- Park, Jun-sik and Hyo-rae Cho 1989, 'Dokjeomdaegiupui Nomugwanrijeonryake Daehan Yeongu' (A Study on Labour Regulation Strategy in Monopoly Capitals), *Gyeongjewa Sahoe* (Economy and Society), 3: 43-81.
- Republic of Korea 2000, *Jeonbugaehyeok Baekseo* (White Book of Government Reforms), Seoul: Republic of Korea.
- Roh, Joong-Kee 1997, 'Yuwolminjuhangjaengwa Nodongjadaetujaeng' (June Democratic Resistance and Great Workers' Struggle), in Korean Association of Academic Organisations (ed.) *Yuwolminjuhangjaengwa Hanguksahoesipnyeon Vol. 1* (June Democratic Resistance and Korean Society Ten Years Afterwards, Vol. 1), Seoul: Dangdae.
- Samsung Economy Institute 2000, *Cheongubaekgusipgunyeon Hanguk Gyeongjeui Jeonmangwa Hoego* (Prospect and Retrospect of the Korean Economy in 1999), Seoul: SEI.
- Song, Min-kyung 1998, 'Gukgajudo Baljeonjeonryak, Cahebols and Gyeongjewigi' (State-led Development Regime, Chaebol and Economic Crisis), in Byung-chon Lee and Gyun Kim (eds.) *Wigiwa Daejeonhwan: Saeroun Hangukgyeongjeui Paradigmeul Chajaseo* (Crisis and Great Transition: Seeking a New Paradigm of the Korean Economy), Seoul: Dangdae.

Suh, Jae-jin 1991, *Hangukui Jabonga Gyeguep* (The Korean Capitalist Class), Seoul: Nanam.

YH Trade Union 1984, *YH Nodongjohapsa* (History of YH Trade Union), Seoul: Hyeongseongsa.

Yu, Bum-sang 2001, 'Cheongubaekpalsipchilnyeon Nodongja Daetujenggwa Saeroun Nodongundongjihyeongui Hyeongseong' (The Great Workers' Struggle in 1987 and the Establishment of a New Configuration of Labour Movement), in Choi et al. (eds.) *Cheongubaekpalsipchilnyeon Ihu Hangukui Nodongundong* (Korean Labour Movement After 1987), Seoul: KLI.