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**The role of the state and urban development politics in the
changing face of Seoul, Korea**

Jeong, Won-Sik, Ph.D.

City University of New York, 1995

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**THE ROLE OF THE STATE AND URBAN
DEVELOPMENT POLITICS IN THE CHANGING
FACE OF SEOUL, KOREA**

by

WON-SIK JEONG

**A dissertation submitted to
the Graduate Faculty in Political Science
in partial fulfillment of the requirements
for the degree of Doctor of Philosophy,
The City University of New York.**

1995

c 1995

WON-SIK JEONG

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This manuscript has been read and accepted for the Graduate Faculty in Political Science in satisfaction of the dissertation requirement for the degree of Doctor of Philosophy.

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ABSTRACT**The Role of the State
and Urban Development Politics in the Changing Face of
Seoul, Korea**

by

Won-Sik Jeong

Adviser: Professor John H. Mollenkopf
Reader : Professor Joyce Gelb

The process of rapid urbanization in South Korea, particularly in Seoul (South Korea's capital and largest city), along with problems of housing and land allocation, have emerged as major socio-economic issues with important political implications. This dissertation analyzes the growth and development of Seoul from the colonial period until the 1980's. It investigates the relationship between the macro-patterns of socio-economic change in Korea and the micro-processes of housing and land development in Seoul. The major aim of the analysis is to examine the forces that guided the transformation of the city from a purely administrative town into an industrial and service epicenter. The conceptual framework of the analysis is based on the notion that neither political nor economic factors alone can explain the changing face of the city, which rather must be understood in terms of the interplay between the two.

Specifically, this study examines the hypothesis that the authoritarian nature of the Korean government led to the centralization of urban/industrial growth in Seoul, with

The study explores how housing and land development policies fostered urban growth and socio-economic development and shaped the distribution of costs and benefits deriving from this expansion. Successful urban and housing policies were used as a powerful instrument not only to create economic development, but to promote political legitimacy. Evidence for this is found in a series of policy programs, such as housing production under the Japanese colonial government during the war period and the development of big apartment complexes and the South Seoul development programs under the authoritarian regime. These policies benefitted private developers (construction firms and speculators) and urban middle/upper classes at the expense of the lower classes. In time, these policies accentuated the economic cleavages and uneven residential development within Seoul.

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GLOSSARY

Chonbo

An acreage unit. It is equivalent to hectare. One *chonbo* estimates 9,917.4 square meters while one hectare is 10,000 square meters.

Do

A province

Dong

a precinct or a neighborhood

Gu

a borough or a major municipal subdistrict

Chaebol

the Korean conglomerate.

Kukminjut'aek

people's housing

P'anjajip

means a single substandard house or dwelling unit ; and *p'anjach'on* indicates a substandars settlement formed by numerous *p'anjajip* in a certain area.

P'yong

the standard Korean unit of area.

Approximate equivalents are:

One *p'yong* = 3.3 square meters

One acre = 1,225 *p'yong*

Won

the Korean unit of currency. U.S. \$1 was equivalent to 765 *won* on May 1974, 762 *won* on April 1982, 798 *won* on June 1984, and 805 *won* on October 1992.

Yangban

the Korean aristocratic classes. They consisted of high government officials and Confucian scholars.

1974,

Yusin

means renovation. In this study it means the October Reform in 1972.

Zaibatsu

the Japanese conglomerate

LIST OF ABBREVIATIONS

CHC : Chosen Housing Corporation

HDB : Housing and Development Board in Singapore

KDI : Korea Development Institute

KMOC : Korean Ministry of Construction

KEPB : Korean Economic Planning Board

KNHC : Korea National Housing Corporation

KLDC : Korea Land Development Corporation

KRIHS: Korea Research Institute for Human Settlement

LRP : Land Readjustment Project

SMA : Seoul Metropolitan Area

SMG : Seoul Municipal Government

LAO : Land Advice Office

UHB : Urban Housing Board

Introduction

This dissertation analyzes the growth and development of one metropolitan area, Seoul, by focusing on its changing character under a colonial (1910-1945), an early post-independent (1946-1960), and a stable authoritarian regime (1961-1987). The major aim of the analysis is to explain the concentration of urban growth in Seoul; the housing and residential development problems associated with rapid urbanization; and the national policies formulated to cope with these problems.

First, this study asks what forces guided the transformation process of Seoul as it evolved from a purely administrative town into an industrial and service center. Using Seoul as a case study, this study examines the hypothesis that the centralized, authoritarian nature of the Korean state led to the strong centralization of Korean urban/industrial growth in Seoul. The emphasis is on exploring both the consequences of urbanization for the Korean political system, and the impact of governmental intervention on the patterns of urban growth and housing development. The study argues that this process has been shaped by the colonial government's imperialistic ideology and the authoritarian Korean state's developmentalist ideology. Urban development policy became one of the significant means through which both governments maintained their respective political legitimacy. Korea provides an appropriate venue for examining the state-directed urban development argument. Korea's geopolitical location, the historical timing of its industrial push within the competitive world economy, and the internal political strength of state office holders vis-a-vis weak civilian classes have combined to

produce a "strong state, weak society" political outcome. In this environment, public policies coincide with state rather than societal preferences. A major reason for this, according to Jones and Sakong (1980:11-25), is derived from the characteristics of the Korean "hard state." The hard state is characterized as the exercise of compulsive and rigid enforcement of obligations on people in all social strata in order to implement public policies. Political leaders and bureaucratic state agencies became key actors in formulating and implementing urban development programs.

The Governor-General of Japanese colonial government and the Korean president under the postindependence authoritarian rule played a vital role in the policy-making process. This system has frequently been characterized by such aspects as the overconcentration of power in the Executive Branch (against other branches and other groups) and, within it, in the hands of top governmental leader. In theory, the various groups - congressmen, party leaders, interest groups and other members of the policy community - can exert influence on decision-making. In reality, however, these groups under the authoritarian Korean state played only a minor role during the last few decades (Chung, 1993:93-95). Thus, career bureaucrats were the only people who dominated the important decision-making positions during this period, based on their expertise of policy development. As a consequence, public policy-making was generally considered to be the exclusive domain of a few select and experienced government officials. This process was not "bottom-up" as in the formal theory, but rather "top-down," reflecting presidential guidance.

Capitalistic classes - including Japanese and Korean entrepreneurs under the

colonial rule and more recently Korean construction firms and speculators - participated in the urban development projects and made great economic gains. Japanese capitalists came to the Korean peninsula with their own executives, managers, and technicians, and participated in the early urban infrastructure projects in the peninsula. The Japanese colonial state in alliance with major *zaibatsu* developed Korea as a base for further expansion on the continent in the later years of Japan's rule. Some Korean business elites (especially, pro-Japanese classes) won at least a consultative role in policy making in the Seoul's economy through participation on the boards of large Japanese combines or *zaibatsu*, prominence in business-policy associations, and their position in the local economy as corporate owners. Dependent on the authoritarian Korean state, many private construction firms and speculators were concerned with issues of housing and urban development. Speculators incited the capitalists and middle classes to invest in real estate by spreading rumors such as the "establishment of express-bus terminals" and the "movement and enlargement of x x public office buildings" in South Seoul (later, these plans were realized). The government encouraged the boom in private housing by responding both to pressures from the housing industry and to the political attractions of providing benefits to the urban middle class. In particular, confronted with the domestic economic recession in the early 1970's, the government guided a competitive participation of private developers in South Seoul development projects, by providing a variety of incentives such as tax advantages and financing through the Temporary Measure Act for Special District Development enacted in 1972. The reliance on the private sector to produce housing enabled the state to reduce its own direct investment

in housing.

Accordingly, this study analyzes the policies of various state regulatory and planning agencies, the political culture¹ where these agencies function, and the economic and class interests which the policies seek to advance in relation to patterns of private economic activity. The state influences on the urban development process through its policies are patterned by the state's relationship with social groups (Skocpol, 1985; Mollenkopf, 1983). Within this vein, this study will supplement the criticism that so many prevailing approaches are too focused on the state or society to explain urban development. Joel Migdal gives us a suggestive starting point for the study of the role of the state in developing countries: "For the Third World, at least, the state-centered approach is a bit like looking at a mousetrap without at all understanding the mouse" (1988:xvi). The interplay between the state and society has largely been derived from the political logic of the distributive effects of the state's development policies, namely who benefits and who loses.

As important as the economic factors may be, their impacts on Seoul's urbanization and the related urban development process have been strongly mediated by the political dominance of the state. Urbanization inevitably generates a variety of new

¹. The major components of political and administrative culture in the Korean policy making process are authoritarianism, centralism, formalism and ritualism, all have been greatly affected by Confucian philosophy. Traditionally, both the Korean people and public officials have inculcated a value system based on a superior-subordinate relationship, which insures a smoothly operating hierarchy. Moreover, because of the Confucian political culture, once policy mandates are received from an executive, most administrators try faithfully to attain the goals of the given policy without serious consideration if they were legitimate, or whether the enforcement instruments used were appropriate or feasible.

tasks and conflicts that political systems must face (Bienen and Danielson, 1978). For the increasingly interdependent urban populations, public services and facilities must be provided as the city expands and develops. In a similar context, urban development creates conflicts over use, cost, and the proper role of government in shaping the urban structure. The political system must respond to those demands and mediate the inevitable conflicts. Although Korea's urban development strategy has sought to promote capitalist economic development, this strategy was not forced on Korean political elites. To the contrary, they use it for their own political and economic ends. The resulting national urban development programs both amplified and diverted capitalist forces, aiming at capital accumulation.

The role of the state is complex, and often unpredictable, in urban society, but it is vital to resource distribution. The Japanese authoritarian colonial rule left a legacy of centralized state control in Korea's postindependence period. As the nature of the Korean state evolved from colonial to newly independent and subsequently to a stable authoritarian regime, its impact on Seoul's growth and development evolved accordingly.

Political decision-makers have long accepted the responsibility for allocating certain goods and services; in most countries this function encompasses an ever growing list. This study argues, however, that state intervention in urban development has not been limited to the sphere of distribution politics. Rather, the state has sped up the circulation and accumulation of capital by explicitly and implicitly directing entrepreneurial activity toward Seoul's growth. In Korea, where economic growth has

been regarded as the foundation for the authoritarian state's political legitimacy² (Lim, 1989; Koo, 1987; Cumings, 1987), it is difficult to find state activities that in any way diminish economic performance. The government personnel embraced an ideology of developmentalism and growth which derives largely from their Western orientation. The authoritarian Korean government ultimately used the urban development projects - such as development of urban infrastructures, state-developed housing estates, and Land Readjustment Projects - as useful instruments for both the economic development and political legitimacy. These projects concentrated on profit-making and middle class-directed housing development. This reflects Amenta and Skocpol's point (1986:27) that key actors in authoritarian regimes have an interest in using social policies to facilitate economic development while deflecting popular discontent.

A key theoretical point is that even if the state promotes capitalist interests, this does not entail any lack of state autonomy or capacity in the Korean context. Rather, the Korean state created urban policies that maximized its revenues and power. These policies were not spontaneously triggered by the mode of production, nor were these the result of lobbying by the capitalist classes. The Korean state sought to create political resources, that is, the ability to mobilize individuals and groups. The government created rights, rules, and programs to provide the political leaders with incentives that they could use for mobilization. Under the authoritarian regime, the government's policies did not

². Korean politics had suffered from legitimacy issues since the First Republic in 1948, which were further aggravated in the 1961 military coup. The problem of political legitimacy was resolved only recently with the establishment of civilian Kim Young-Sam government through the 1992 presidential election.

depoliticize the economy, nor did they eliminate either corruption or the importance of political connection. Instead, they redefined and magnified the political context of economic activity and made business success a key ingredient for continued popular support for government (Shafer, 1990:131-132).

The final issue addressed in this study is the highly unequal distributive impact of Korean housing policy. It asks how and why the state influenced the specific forms of housing and land development in Seoul. Specifically, this study tries to show how housing and land development policy played a critical role both in the relationship between urban growth and socio-economic development and in the allocation of the benefits and costs deriving from urban expansion. Max Weber (1961) has noted that urban land, housing, and other forms of real estate are more than simply items of consumption. Housing is a commodity, subject to market forces, reflecting the relationship between demand and supply. However, during the periods of rapid social change and extreme fluctuations in housing needs in Korea, market forces have not been able to supply all of the demand (Yom, 1992; Ha, 1991). Accordingly, housing policy was a major national, as opposed to local, concern. Under the authoritarian regime, local governments had a minimal role in making housing policy. Rather, overall policy development was coordinated by the Housing Policy Council, chaired by the Deputy Prime Minister, whose members are the relevant government ministers and the presidents of housing-related public corporations such as the government-owned Korea National Housing Corporation and Korea Land Corporation.

The distribution of housing and land is an important component of urban spatial

structure. Population growth directly induces an increased demand for all the services housing can offer (access, space, tenure, and shelter). Moreover, the growth in incomes also increased people's willingness to pay for housing, increasing demand. The importance of housing development results from the large amount of space devoted to residence as opposed to other urban structures. In Korea, Seoul in particular, the cost of land is the most important component in housing development.³ Because of the continuing increase in the price of land, it appears to be the most limiting factor on the housing supply. It has been especially detrimental to housing inequality between high/middle and lower income classes. The land/housing market differentiates, and at worst segregates, households with respect to the acquisition of wealth and property rights, thereby determining where these households will be located.

This is matched on the supply-side by a multiplicity of institutions which perform equivalent structural functions. These institutions are directly concerned with the formulation and implementation of aspects of state housing policy - central government agencies, Korea National Housing Corporation, and the house building industry. Housing development that was systematically mediated by the authoritarian Korean state was functional to the maintenance of social order, political or economical.

Broad ranges of public intervention are necessary instruments of an efficient and equitable housing policy, in particular housing price controls and a large public housing

³. For example, during the period of 1971-1987, the value of land at a distance of 5-10 kilometers from the CBD of Seoul increased by 25 times. For the same period, especially, Kangnam ward, the new residential area south of the city, increased more than 500 times. For more detailed land price in Seoul, see Korea Appraisal Board, *T'ojigagyok Pogoso* for the corresponding year.

sector (Maclenan, 1982; Pugh, 1980). However, has the Korean government acted in the interests of the low-income groups with appropriate housing and welfare measures? Who benefits from the state-developed housing programs and who loses?

The answer comes from the Korean housing authorities' concentration both on the state-developed housing for sale and on the quantity-directed housing production to encourage urban middle class households' home ownership. More importantly, the authoritarian regime's commitment to owner-occupation can be explained on ideological and political grounds. The increase of home ownership⁴ has been closely related to the authoritarian government's *chungsanch'ong* (middle strata) upbringing policy during the last three decades. This strategy ultimately favored the middle and high income classes at the expense of the lower class, an extreme example of which was the building of high-rise apartments in redeveloped areas. The development planners and bureaucrats attempted to modernize and beautify the urban landscape of Seoul so that the city would gain prestige, and also for their personal career advancement (Ha, 1990:166; Lee, 1990:7; Kim, 1987:206). This caused frustration in low income groups, in particular tenant squatters. The frustration also generated growing suspicion of the government, and spurred resistance toward its policy. As a result, the government was sensitive to considerations of social stability and political legitimacy (Lee, 1990:202; Kwon, 1988:23-

⁴. Many works have evidenced that home ownership and high socioeconomic status are necessarily positively correlated; in general, the rich tend to own - the poor tend to rent (Stegman, 1990; Lundqvist, 1986; Kemeny, 1981). Encouraging home ownership indeed seems to have many virtues. The President's Commission on Housing under the Reagan administration has noted: "For many homeowners, their home is the most important factor in their general economic well-being, and gives them a direct financial stake in the society" (1981:24).

24).

The movement of construction policy toward big apartment complexes caused a new bourgeoisie town to emerge in South Seoul by inducing the middle/upper income households to the designated area within Seoul. The town was specifically geared toward encouraging middle and upper households to move this section of Seoul. The uneven residential development of the inner Seoul was further stimulated by the establishment of both the Housing Construction Facilitation Act and the Development Facilitation Act of Special Districts in 1972. These programs were detrimental to the rapid development of South Seoul as a new middle class settlement, by focusing on providing housing allowances for designated households. As Moore and Clark (1980:11-20) argue, although governments do have limited powers to directly induce residential mobility within society, their role influences the amounts of voluntary mobility by manipulating the incentives and contexts in which decisions are made. Thus, it is possible to analyze Seoul's changing residential pattern as sparked by a series of political actions.

CHAPTER ONE _____

Major Arguments on Historical Dimension and Chapter Organization

OVERVIEW OF THE ARGUMENT

"Why are cities changing in the ways that they do?" This question is short and simple, but the answer is long. The emergence and growth of an early capitalist city in Korea may be traced from the result of the incorporation of the country into the imperial Japanese political and economic power. In particular, the dominant role of Seoul in the urbanization process stretches back to the royal seat of the Yi dynasty. Since then, Seoul has remained a mecca. There is a saying in Korea: "If you are born a human, go to Seoul, if you are born a horse, go to Cheju Island."¹ This shows how historical experience has shaped the strong preference for living in Seoul for most Koreans.

Just as Korea has achieved substantial political and economic change, so too has there has been a change during the past a generation, perhaps even more dramatic, in the physical fabric of life in Seoul.

The origins of modern Seoul begin darkly, with the 40-year period of Japanese colonialism. The Japanese built up the city, creating streetcar suburbs surrounding the

¹. Locating at the farthest distance from Seoul, the southern extremity of Korean peninsula, the island had been used as a place of exile during the era of the Yi dynasty. The island has big grassy plain in the foot of Halla mountain which is also known as the best area for horse-breeding.

traditional center to house the colonialists. Not long after the end of Japanese colonial rule, Seoul was occupied again - this time by the invading communist troops of North Korea in the early phase of the Korean War. During that war, Seoul had been so thoroughly bombed by air, poured by artillery, and trampled by infantry, that it resembled the rubble-town that was Berlin after World War II.

Some cities never make the transition from one phase to another. For one reason or another, development stalls. Seoul is not one of those cities. Rather, it is a picture of breathtaking change. Starting with a state-directed economic development in the 1960's, Seoul began to boom. Today, the position of Seoul in the Korean context is a giant city, demographically and economically. Seoul's population has increased from 1.2 million in 1955 to 11 million today. Nearly a fourth of South Korea's population is crowded onto less than 1 percent of its land, and it is now the fifth-largest metropolitan area in the world. The Capital Region's gross product accounts for over 15 percent of Korea's GNP. The most rapidly growing economic sector is that of services and commerce, in contrast with the gradual waning of manufacturing due to the government's industrial dispersal policies. The gross product is greater in the service sector, but Seoul's predominance is clearest in commerce: it accounts for almost one-third of all sales in the entire country.

The rapid growth of Seoul's population and economy affected the physical fabric of the city. A forest of skyscrapers rose in midtown, and the horizon is alive with construction cranes. There is a new subway system, a spaghetti tangle of freeways, and an explosion of shopping malls and apartment buildings. Seoul's rebirth has been so extraordinary that it has become to be known as "the phoenix city of the Orient." The

capstone of this dramatic change was hosting the 1988 Summer Olympics, which symbolized the level of political and economic development developing Korean society.² In particular, Seoul's designation as the host city for both the 1986 Asian Games and the 1988 Summer Olympics provided a special stimulus for detailed planning in Seoul. Not surprisingly, however, it fostered the residential development of South Seoul, since most of the Olympic facilities were concentrated on the southern areas of the Han River.

Seoul's rapid growth can be explained by the causal relation of "industrialization-begets-urbanization." This was widely accepted as the general conceptual framework without a critical explanation of the relationship of these two variables. Many Korean urban specialists and government authorities thought that the corpulence of Seoul was simply caused by the explosive increase of manufacturing in the city during the rapid process of the Korean industrialization. Thus, in order to reduce Seoul's population agglomeration, the central government implemented several industrial relocation programs to move the manufacturing industries of Seoul to local areas. This was in addition to the strict regulation of factory construction within Seoul. There is no doubt that these policies were successful in part in terms of balanced regional development.

However, it is also true that the mercantilistic function of the city played a more important role than industrialization in promoting the early urbanization of many countries. This is similar to Max Weber (1978:1213), who gives strong emphasis to the

². Viewed from the perspective of the Korean government in 1980, then, the logic of bidding to host the 1988 Olympic Games was apparent. The games would provide legitimacy at home and protection from a hostile sister state, and would serve notice to the world of Korea's arrival as an economic power.

commercial importance of cities. Many studies show that big cities such as New York, Chicago, London, and Sydney are cultural and commercial centers before they are industrialized (Pred, 1966; Badcock, 1983; Mollenkopf, 1983). During this period, the development of a commercialized agriculture system, accompanied by expanded transportation systems, facilitated the exchange of products between the city and hinterland and stimulated urban growth (Rubin, 1970).

The expansion of Seoul also occurred in a similar pattern (Kim, 1984). Most cities, including Seoul, were to be opened up as the central areas for both Japanese commercial activities and political control. Although a few cities, such as Inch'on in South and Hamhung in North Korea, became the industrial bases for the Japanese industrial investment, these industrial bases did not completely transform the overall context of modern mercantilistic urbanization in Korea. In particular, it is difficult to deny the fact that larger cities, like Seoul and Pusan, played crucial roles as both the commerce and nerve centers for economic exploitation by the imperial Japanese government.

On the other hand, both the establishment of Kuro Industrial Complex in Seoul and the construction of new factories around the city in the early 1960's, may be understood as the industrial investment in order to use the already established labor forces. Most factories during this period were dependent on labor-intensive manufacturing such as sewing, wig making and electronics assembly, or on import-substitute manufacturing for domestic demand. Therefore, it is important to realize that the labor force concentration was the determining factor in the location of these industries

in urban areas.

Although it is clear that urbanization in some instances influences industrialization, the converse is also true. For example, while increasing urban population provides a ready-made labor force (urbanization affecting industrialization), industrial opportunity attracts labor and further increases the size of cities (industrialization affecting urbanization). This subject has been well suggested by Wilbert Moore (1971:74) who observes:

The correlation of industrialization and urbanization is not perfect in any event. Large cities have developed in many countries as "cultural" and government centers, as "overgrown villages" of agriculturists, as residences of absentee landlords, and as centers of trade. Much of the future economic growth will probably be centered in these urban areas, simply because they are there and provide both pools of labor and various public facilities. Continued urbanization, including the growth of new population centers, is to be expected.

However, instead of arguing whether historically the growth mechanism of Seoul is either mercantilism or industrialization, or both, this study will pay attention to the fact that the roles and powers of the Korean central government, in the process of urbanization, have been increasingly enlarged and that the central government has been located in Seoul for the last 600 years. My essential argument is that while concentrated authoritative power and the state-guided economic development policy in Korea have been strengthened, the capitalist development of Seoul did not simply mean both the quantitative enlargement and diversity of market forces. Rather, the city has paraded its power as political/administrative center which stands unchallenged by other smaller cities. Within this role, Seoul has growing international importance; it houses more

foreign business firms, hosts more international conferences, and receives more foreign visitors than any other Korean city. Seoul has been the gateway for foreigners who come into contact with Korea, and is home base for Korean firms which conduct their business abroad. This may explain why the growth-oriented ideology of authoritarian Korean government has emphasized the city as a center of modernizing the country. Drawn by the desire for proximity to the center of national power, most industrial headquarters are concentrated in Seoul.³

Backed by its long-standing prestige as the center of political power, Seoul is not simply a 'primate city,' distinctive among Korean cities during the rapid urbanization process of Korea.⁴ Seoul became both the terminal of spatial movement and the apex of the Korean urbanization, rather than simply the physical settlement for migrants in urbanization. Thus, although the physical disparity between Seoul and local cities is more or less reduced by decentralization policies, such as industrial relocation, the Seoul-oriented urbanization process will continue until the political and social gap between the cities, or Seoul's function as the "development engine" of national economic growth ceases (Kwon, Tae Joon, 1989; Kwon, Won Yong, 1987). It is difficult to imagine that

³. This implies that the small local industrial cities, such as C'hangwon, Wulsan, Kumi, and Yoch'on, are only 'the scene of production' for the key industries.

⁴. Many urban geographers have noted that a city is a primate city in a circumstance in which there is one surpassingly large city in a country as compared with all other urbanization. Here, the primate city is just defined as the quantitative size of a city, without the deep consideration of political and social structures in each country, as compared with other cities. However, this may not provide a theoretical concept useful for the political analysis of urban growth in terms of urban policies.

the headquarters of the largest firms, which received much special treatment from the state under the government-directed economic development process, will leave Seoul.

The first modernization imposed on Seoul occurred in the early twentieth century when imperial Japan annexed Korea. During the colonial period, the Korean state was relatively weak and urban development was more directly influenced by Japan. The colonial urban planners found in Seoul an experimental subject for their newly learned Western planning under the pretext of modernizing the city. Land readjustment technique is a typical method, and it is still used as the most important tool for urban planning until recently.

Given the prominence of economic priorities and of state-led strategies for growth, not just as a 'colony' but as a 'new territory,' this study will apply the concept of a strong state to the Japanese colonial administration whose decisions were framed by the requirements of the Japanese empire. Backed by garrison forces and an efficient police force (numbering over 22,000 in 1943),⁵ the Government-General of Chosen was an authoritarian regime that wielded executive, legislative and judicial powers virtually without formal restraint. It was 'a state within a state' administered entirely by bureaucrats with only token supervision by the home government. Japanese colonial policy aimed to exploit Korea to meet the consumption and industrial needs of Japan. This goal shaped the urban spatial pattern of Korea in the 1910-1945 period. Cities grew as administrative centers for colonial exploitation, as assembly points of agricultural

⁵. There were 14,747 Japanese and 7,958 Koreans in the police force as of November, 1943, according to an official Japanese source (Konodo, 1961:14-15).

products for export to Japan, and as production sites for raw materials and cheap manufacturing goods for Japanese factories and consumers.

As Japanese penetration began to extend into Manchuria in the early 1930's, Korea became a base for continental expansion, and as a result the urban and industrial transformation of Korea was intensified. Because of its strategic location, Seoul's industry and commerce developed rapidly. In this period, Seoul produced 41 percent of Korea's textiles, 42 percent of the machinery, 74 percent of the lumber, 47 percent of the printing, and 25 percent of the food products (Keijo Chamber of Commerce and Industry, 1942:105).

Cities are places where differences in the allocation of economic and social resources may be clearly observed. In general, urban planning may try to work for a more equitable re-allocation of the costs and benefits of urban growth. More importantly is, however, that urban planning in developing countries was meant to legitimize state policies for the middle and low-income groups (Gilbert and Ward, 1988). In fact, much of the evidence in this study suggests that authoritarian governments find it necessary to offer some benefits to the poorer sectors of society in order to gain a measure of legitimacy for the regime's maintenance. In Korea, Park's authoritarian regime since the military *coup d'etat* of 1961 has been preoccupied with the task of consolidating its political power base and of developing the economic and social sectors of a backward society. In particular, the regime's political leadership was conscious of protecting its power and desperate to prove the efficacy of its rule through tangible achievements in

the economic front.⁶ Through this process, the governments often produce unequal policy outcomes because the governments' policy intention is not concerned with the actual needs of the masses, but with ideological policy development to insure their political legitimacy.⁷ However, it may be inevitable for governments to pursue the policy which is intended on such ideological goal. As Leftwich (1984:62-84) points out, politics includes the crucial elements of values and ideologies which help to legitimize the manner in which resources are used and distributed.

The flows of investment into capital improvement are also major components of urbanization. This capital flow is eventually concerned with implicit institutional assumptions about who is making the industrial location decisions and how they are being made. In developing countries, these location decisions result from the interplay of public inducements and private decisions, emphasizing profit maximization under rigid public policy constraints. It is argued that the Korean state must play at least part of the entrepreneurial role, since it alone has the informational resources on which to base objective location decisions.

The explosion of unprecedented urban population in Korea, and in particular in Seoul since the 1960's, occurred during a period of uncontrolled urbanization. This was

⁶. In a similar pattern, the Meiji leaders of modern Japan, following the 1867 restoration, did not relinquish the power until the 1920's as the last Genro died.

⁷. Some or all citizens may call on the government to close the gap between ideals and results by bringing social reality into closer alignment with their desires. In theory, positive government intervention can, at least, provide some condition of equality. See Huntington's argument in the book *American Politics: The Promise of Disharmony* (1983) on this topic.

a consequence of rapid industrialization and Korea's economic integration into the world system. The Korean government made an effort to adapt to the situation by modernizing the economy, and legitimizing the institutions aimed at negotiating the current patterns of economic dependence within the world capitalist system. This political process brought about uneven development and widespread migration, which consequently altered the residential patterns in Seoul. Many of the problems that emerge in rapidly developing cities are essentially political problems, and they require political action for their amelioration or solution.

The environment of the city is never static and the relationship between housing, migration and urban spatial organization has to be reinterpreted continually in terms of shifting social, economic, or political circumstances. In particular, housing and land development policy, as an integral part of national development, has played an important role in the urban development of Seoul. The authoritarian Korean political circumstances sensitized the government to the provision of housing as an important factor aiding in legitimizing the regime *vis-a-vis* a demanding population.⁸ This is especially important in countries experiencing rapid urbanization: for rapid urban growth turns housing into an increasingly vital resource.

The plan of South Seoul's development in the early 1970's was aimed at

⁸. President Park's *yusin* (October Reform), Chun's 1979 military coup and his suppression of the 1980 Democratization Movements in Kwangju, lacked political legitimacy to most people. Even if Roh's regime was created by the 1988 democratic elections, the three party conversion in 1990 raised the public's doubt as to its legitimacy. Facing problems of legitimacy, due to their "irregular" suspension of the constitutional orders, they needed some token measure to justify their actions.

population dispersal in a dense area. Housing planning has been responsible for expanding the urban boundary southward of Seoul duringg the past three decades. The population and housing census has shown that in 1990 about 65 percent of dwellings in Seoul had been built after 1970 and about eight percent before 1950 (KEPB, 1990). This reflects President Park's sensitivity to housing policy for insuring his *yusin* (October Reform in 1972) would have regime legitimacy. For example, The Construction Plan of Two Million Houses required input from both the Urban Housing Bureau (UHB) in the Ministry of Construction and private construction firms.⁹ The intention of the government was to induce the construction boom, as well as domestic economic vitalization through construction, in particular the boom in apartment complexes. Those who benefitted from this policy were Korea National Housing Corporation, private housing developers, and speculators including the real estate agencies and investors. Not surprisingly, the KNHC, as a government enterprise, was interested in accumulating capital by concentrating on the sale of state-developed housing. This is one of the major ways government enterprises differ from other governmental entities. From this point of view, the KNHC is regarded as a business rather than as a political enterprise. Government corporations have a corporate standing independent of other bureaus of government and of the electorate, and access to the tax-exempt bond market, in most cases, without legislative approval. However, as Annmarie Hauck Walsh (1978:331-334) has argued, the operations of government corporations are not necessarily outside the

⁹. The UHB is responsible for management of the housing construction plan and fund, and the overall control of two operational entities, the Korea National Housing Corporation and the Korea Housing Bank.

bounds of politics. They are distinctly political in the substantial and broad consequences of their decisions about what the state will or will not to do in transportation, housing, and many other policy areas. They also are political in that typically they are driven by a narrow range of interests, those of the banking and business communities, resulting in "private control and public management" (1978:334).

A wide variety of business groups were also concerned with the issues of housing development policy in the newly developing areas - like South Seoul. Those businesses which received support from the state or local governments for housing development formed the foundation of today's conglomerate business groups¹⁰(Chong, 1989:23-25). However, the bureaucratic-authoritarian regime used these business forces to produce a variety of policy and practical outcomes (Cumings, 1987:74). Indeed, "private enterprise was merely a delegate of state power and the principal agent of the state directed development" (Choi, 1983:328-29). A number of real estate brokers and capitalists have participated in the housing development of new town and renewal areas and also acted as intermediaries in housing market. In the development of new apartment complexes, they provided the capital and attempted to acquire as many apartment units as possible while ignoring the rule, "one applicant per one apartment unit." In doing so, they concentrated on reselling the units with maximum premium placed on profit, resulting in the skyrocketing prices for housing and land.

In the rapidly modernizing Korean society, the housing development policy

¹⁰. According to Chong T'ae Song (1978:137), the motives powering for the growth and enlargement of private enterprises in Korea were (1) real estate, (2) monopoly, and (3) export.

focused on middle or upper urban households by concentrating on the housing supply which the poor or moderate homeless families cannot afford to buy. As a result, the urban lower classes had difficulty in realizing the dream of home ownership even though they were promised this during the campaign. One question to be addressed is: why the traditional approaches to the Korean housing policy failed to provide housing for the urban poor. Many studies of the urban redevelopment project indicated that the government did not attempt to compensate for poverty and resultant inequality of income (Ha, 1990; Kwon, 1988; Cho, 1988). Under the developmentalist ideology of the Korean government, all squatter settlements must be cleared through the usage of bulldozers and policemen. Even, the redevelopment projects produced high-rise apartments for sale to the middle income groups. During this period, the government was highly concerned with a homeownership-directed policy or 'filtering-based strategy' that newer, higher-cost housing is released to successively lower income households as it ages, deteriorates, and obsolesces.

The primary reason why the rate of owner-occupied housing is not increasing rapidly today, in spite of the government housing policy which encourages owner occupancy, is because of increasing land cost.¹¹ The result was an increase in housing prices through speculation market in apartment-houses and land. Consequently, it

¹¹. For example, during 1963-1990, land prices in major cities rose by 734 times, while the GNP increased 10 times (Korea Appraisal Board, 1992:78-79). The statistical data of Japan also shows a similar pattern. For example, the average cost of housing land in the six major cities increased by 57 times between 1961 and 1983. The average income for workers in the same period increased by 12 times (Management and Co-ordination Agency, 1983).

contributed by increasing the gap between the housing classes. Social inequality between classes is inherent within capitalist societies. Uneven residential development in inner Seoul was effectively caused by unequal access to housing. The newly developed areas, especially in the southern part of the capital on the south side of Han River, have a superior physical environment which is attracting middle or upper class households. This is largely due to the construction of a large number of high-rise apartment-house blocks. Here, the changing patterns of residential mobility and intra-urban migration provide a fresh insight into how Seoul has developed as a reflection of the socio-economic and political forces. Such interactions are obviously long-term processes, yet to study residential pattern in a historical context is not an easy task.

A CRITICAL REVIEW OF KOREAN RESEARCH IN HOUSING AND URBAN DEVELOPMENT

An historical perspective on how the largest city in Korea, Seoul, has developed enables us to understand the basic structure of the city. Nevertheless, a detailed understanding of historical urban development patterns, in particular under the Japanese colonial rule, has received little attention in Korea. In this respect, Son Jong Mok's (1989) book, *Iljegangjomgiha'esoui Tosi Yon'gu* (Urban study under colonial rule) and Kwon Tae Jun's (1990) article, "*Iljesidaewi Tosihwa*" (Urbanization under the Japanese colonial rule) were fascinating in that these studies related Korean urbanization to Japanese colonial policies. However, they consisted of purely descriptive demographic

exercises, and avoided investigating the roles played by the Japanese colonial state, Japanese capitalists, and pro-Japanese classes in Seoul's development process.

During the last a few decades, most Korean urban studies have focused on the rapidly growing urbanization following South Korea's rapid modernization since the late 1960's. In particular, their concerns have concentrated on the overconcentration of Seoul and the consequent urban/regional disparities. In the book, *Urbanization and Urban Problems*, Edward Mills and Song Byung-Nak argue that urbanization and industrialization have been very closely associated since 1963, during which the Korean economy has grown at a rate of 10 percent annually. They especially emphasize that since the rapid industrial growth during the period has occurred in two growth pole areas, Seoul and Pusan, it has also led to increased regional disparities. From a modernization perspective, these areas were "closest to sources of raw materials, most of which are imported, and to Japan and other foreign buyers of exports" (1979:53). Kim In's "*Ingusongjangkwa Tosibaldal*" (Population increase and urban growth) showed that urban primacy of Seoul was the result of rapid migration resulting from the socio-economic changes such as Independence, the Korean War, and industrialization. Kwon Won Yong, in his articles "*Seoul: Mega-City Problems in Korea*" (1991) and "*Population Decentralization from Seoul and Regional Development*" (1987), argues that Seoul dominated the growth in the Korean urbanization process by more than doubling its size and accounting for one-half of national total population growth. This primarily reflects the fact that Seoul was the main beneficiary of the country's strong economic growth. It is undeniable that the rapid economic growth of Korea during the period has played

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a monumental role in this largest concentration.¹² The rapid urbanization of Korea and the explosive growth of Seoul are significantly influenced by socio-economic factors such as the rapid increase of migration and manufacturing in the same way as are European and American cities. However, most of the studies tended to overlook the influence of political factors such as the role of the state, political leadership, and political/administrative culture. Korea has a highly centralized political system, thus the distribution of economic and social values is primarily controlled by political power.

There have been several studies of housing problems associated with Seoul's rapid growth and development process. In his article, "*Housing Problems in Urban Korea*," Ro Chung-Hyun (1977) examined housing as specifically an urban problem, and he described some government practices and their implications. For the failure of Korean government's housing policy, he concluded that the government has neglected the opinions, not only of the people in general, but also those in professional fields. Ha Seong Kyu (1984), in his Ph.D. dissertation, "*State-Developed Housing in Korea: A Case Study from Seoul*," analyzed the role of the public sector in low-income housing in Seoul. He argues that as a result of the limited public investment it is practically impossible to allocate sufficient resources for the housing needs of the urban low-income group, and that government policies have been ineffective in providing adequate housing, particularly for the urban poor. He suggests that a better understanding would make it possible to devise more effective housing policies.

¹². In 1977, 28 percent of the nation's value added by manufacturing was accounted for by Seoul alone, in which contained a quarter of total manufacturing employment.

In the dissertation, "*An Analysis of Inefficiency of an Urban Housing Market: The Case of Seoul, Korea*," Kim Kyung-Hwan (1987) analyzed the inefficiency of Seoul's housing market that stemmed from inadequate housing finance and a land use control program at the urban boundary known as the greenbelt. He argued that the greenbelt policy restricted the supply of developable urban land, thereby raising the rental price of housing and lowering its consumption. In the Korea Research Institute for Human Settlements' working report (1990), *Chut'aekjongch'aekui P'yong'gawa Panghyang* (Evaluation and perspectives of housing policy), the institution describes and intensively reviews current housing problems both in their quantity and quality, and the ways they have been dealt with throughout the 1980's. In particular, as a set of guidelines that could lead to more effective housing policies for the 1990's, the study emphasizes: 1) the expansion of housing funds to support both private and public housing programs, 2) the improvement of housing related taxes (both local and national) to discourage excessive housing consumption on the one hand and to reduce housing burden among the urban poor on the other, and 3) the more efficient utilization of limited urban residential land.

Most housing studies in Korea have noted that the most pressing problem in Seoul is the increasing back-log of housing needs. Facing this problem, it is quite understandable that current policy consists of producing as many new dwellings as possible, thus hoping that the filtering process would increase the housing access to all. However, no country has succeeded in solving their housing problems through the filtering process, since it never works properly because of cultural as well as economic constraints.

These works narrowly focused on squatters and the urban poor, as is the case in many urban studies in developing countries. The housing of the low-income group - both rural and urban - was perhaps the most intractable social problem. Since the housing of the middle class was not a social problem, the scholars have not paid it much attention, therefore the published references are to be found chiefly in novels, memories and academic monographs. Middle class might have been able to take care of itself. However, if we assume that the state intentionally benefitted them at the expense of the poor, and ask why the authoritarian Korean state must have focused on the middle class-directed housing policy, it would surely be an important theoretical and practical question worthy of careful and scholarly investigation.

Most of the previous studies did not answer the question of why and how the authoritarian Korean government intervened in the housing development process. More importantly, they failed to examine the historical interplay between the state and capital in producing and allocating of housing resources. The role of the state in local areas, such as cities, has received little attention in the Korean literatures. The problem of state intervention has been assumed not to be a problem.

More recently, a radical approach to the analysis of housing and urban/regional development was attempted by some young scholars: Kim Yong Ch'ang's (1992) "*Han'guk Chut'aekmunjeui Kujowa Taeahnjok Cholryak*" (Structure of Korean housing problem and its alternative strategy) and Kim Dok Hyun's (1992) "*Chiyoubajjonui Han'gyewa Kukgaui Youkhal*" (Limits of regional development and the role of the state). They view government intervention in housing and regional development as an instrument

to stimulate labor force growth and capital accumulation. According to this capitalistic logic, they argue that the housing gap between classes and inter-regional disparities inevitably exist. By simply focusing on the capitalistic nature of the Korean state, however, their approach errs in neglecting the mechanisms and actors which implement the dictates (such as capital accumulation) of the wider capitalistic social order.

There are still relatively too few studies that attempt to use link the macro-level of political and socio-economic change to the micro-level phenomena of urban housing production and consumption. Therefore, many Korean works were not concerned with the relationship between housing policies and the overall pattern of residential development within Seoul. More recently, however, some studies observed the relationship between housing and residential differentiation in inner Seoul. Based on the socio-economic phenomenon in Korean cities, Kim Yong-Hyun's (1991) "*Seoului Chut'aekgyech'ongkwa Koju'jiyouk Yon'gu*" (Housing class and residential areas in Seoul) examined the possibility of whether the spatial distribution of various housing classes can be defined urban socio-space structure. The study concluded that the spatial patterns of housing class in Seoul are highly influenced by residential differentiation such as an apartment's size and quality in housing construction, and the socio-cultural factors like the quality of neighborhood schools. Hong Doo Seong (1992), in his "*Kyech'ongui Kongganjok Punhwa*" (Spatial differentiation by class in Seoul), also examined the degree of inter-class residential segregation in urban Korea by looking at the middle class concentrations in Seoul. He concluded that urban segregation deepened the gap between housing classes, and this gap in turn facilitated the segregation of residence.

These scholars contributed to an understanding of recent patterns of residential mobility within Seoul. Most have made the description of mobility behavior the primary goals of their analysis, by focusing on economic and sociopsychological aspects of household decision-making. However, in pursuing these goals, the emphasis has been on behavioral generalizations, and the importance of policy context in national and local level has been downplayed. Accordingly, they failed to build on how the various political actions of housing and land development policies influenced and mediated the residential patterns of Seoul. They especially neglected examining the uneven residential development, which was caused by the unfairness and inequality of Korean housing policies.

SCOPE AND ARRANGEMENT

This study is concerned with a broadly conceived historical change of urban dynamics, rather than a more narrow focus on squatters or the urban poor along with the postwar rapid urbanization problem. This is the case in many urban studies in Korea and in developing countries more generally.

As Lewis Mumford observed, "if we would lay a new foundation for urban life, we must understand the historic nature of the city" (1961:11). Seemingly, the historical study of urban development draws its significance from Dyos's observation that, "urban history is the most newly discovered continent and into the scramble for it goes every

kind of explorer" (1968:6). Nevertheless, in Korea, the rush was relatively late and embryonic compared to that in the United States and other Western countries.

To explain the urban development process that underlies the organization of space is not simply a matter of situating the urban phenomenon in its context. At one level, as Manuel Castells (1979:8) presents, such a research project must, "with the help of its conceptual tools, explain particular historical situations in sufficient number to reveal the lines of force of the phenomenon studied." At another level, geographers, planners, architects, political scientists, historians, and others can be said to "do" urban history when they deal with the urban past. Urban history is an attempt to explain some of the most basic phenomenon of modern history - the growth of cities and the urbanization of society. In this context, if we are to understand the city in both its historical and its current socio-economic and political settings, our scope must be broad. A wide perspective is essential, for urban development systems do not arrange themselves into neat compartments that conform with arbitrary disciplines.

I chose Seoul under the presumption that the various changes and problems of urban development in developing countries can best be observed in the largest cities. South Korea's economic activities have been spatially polarized around the capital where tremendous locational advantages exist. The fact that Seoul is the seat of government has re-enforced the process. Over-concentration of population and economic activities around the "primate city" in developing countries have resulted in regional disparity in employment and income and, as a result, inter- and intra-regional tension have begun to build. Accordingly, the intensive case study of Seoul provides a valuable insight not only

into understanding the urbanization of other larger cities in South Korea, or other Third World's primate cities which have experienced colonial rule, but also into promoting theoretical progress in the analysis of those cities.

In light of these research scopes, chapter two reviews the generally accepted definitions and characteristics of the state, emphasizing state interventions in urban development in socio-economic, ideological, and political perspectives. Special reference will be made to a synthesizing viewpoint of a number of different interpretations as to the meaning of the state role in the urban development process, by focusing on the interplay between the state and capital in urban development. Chapter three develops the historical argument based on the fact that the modern capitalist Korean city, in particular Seoul, was a creation of Japanese colonialism. Accordingly, its present organization can be understood in terms of how the heritage of colonial dependence has bonded with contemporary political and economic considerations to determine spatial patterns and problems of arising from the rapid urbanization. In particular, investigating the role which the colonial state bureaucracy, Japanese capitalists, and pro-Japanese classes,¹³ played in Seoul's development and the specific means by which the colonized bureaucracy extended its control throughout the Korean urban system. Building the historical background between the state and economic forces, chapter four and five: analyze the impact of urban change on government; assess the authoritarian state's

¹³. Although the Japanese colonial government espoused a policy of direct rule, the government needed indigenous authority figures to fill the immense governmental gaps. Occasionally, they were appointed to the lower position of government, and a few who had been educated in Japan achieved higher posts. These groups have been called the "Ch'inilp'a" (pro-Japanese clique).

overwhelming influence on the forces of the urban growth; and assess the change of Seoul into an industrial player in the world's economy on a macro and micro economic level. Specifically, chapter four examines the primacy of the city in population and economic policies with regard to regional disparities. On the base of population and economic concentration towards the post-industrial growth of Seoul, chapter five analyzes the changing patterns of housing and land development in Korea in general. It attempts to examine the effect of state intervention in housing and land development associated with the emergence of middle class residential development in specific areas of Seoul under Park's authoritarian regime. The chapter emphasizes the developmentalist Korean state's desires for economic development, focusing on the middle class-directed housing/land development policy. It also illustrates how "the housing problem" has become a major political issue on the national agenda, and how housing/land policies have affected the residential mobility in Seoul. Finally, the concluding chapter presents the relationship between the developmentalist Korean state and Seoul's growth, and the issue of inequality and unfairness in the housing/land policies developed by the state. The chapter notes new perspectives in the spatial policy of Seoul as a global city, and suggests some alternatives for better urban policy in Korea.

CHAPTER TWO _____

The State and Capital in Urban Development Politics: Towards an Analytical Framework

ALTERNATIVE THEORIES OF THE STATE IN URBAN DYNAMICS

Many of the recent works on the nature of the state refer back to previous forms of its existence. Both "Bring the State Back in" (Evans et al., 1985) and Jessop's (1990) "Putting States in Their Places" are examples of this trend. One of the major problems facing theories of the state is that there is little agreement on a precise definition of the concept. The state's role in urban development can only be explained after the concept is developed. I will first define the idea of the state and then place it within an urban development framework.

According to Anthony Giddens (1985:17), the state has two meanings in ordinary language. The state is sometimes an apparatus of government or power, and other times it refers to the overall social system subject to that government or power. In this study, the state apparatus is the administrative organs of government. From this definition, the state can be measured both in terms of its institutional makeup, and its functions. Specifically, the state is the political institution of elected and appointed officials directly responsible for formulating and implementing public policy. The definition emphasizes,

within the concept of the state, the actions that a public authority or power performs.¹

The political aspect of institutions concerns their capability of marshalling authoritative resources or what Giddens calls 'administrative power.' This concept is very close to that of Weber, (1978) who sees the state in terms of the legitimate monopoly of control, both of violence and politics. As Theda Skocpol notes, in a similar point of view, the state is only part of the "overall political system," including institutions which represent social interests in policy making. The functions of the state in the political context alone pose a different problem for the researcher. There cannot be a satisfactory substantive definition of the political nature of the state, because political organizations are concerned with a variety of different activities.

The state has the potential to have a great impact on urban development, although this depends on the authority and resources available within a particular system. Potential influence does not automatically translate into actual influence. Actual influence capacity must be developed over a long period of time. Moreover, government as an institution is not the only element in the equation. Market choices, social preferences, demography, and technology have varying degrees of influence on urban patterns, as well as on each other. Because these forces influence the others continuously, "it is very difficult to sort out the impact on development of any one factor" (Danielson and Doig, 1982:2). While seeking to explain and understand the process of urban development and planning and the role of government in historical process, this study also maintains a critical outlook

¹. Focused on the policy relations between the state policies and society in this study, we will use interchangeably the terms 'the state intervention,' 'government intervention' and 'public intervention.'

on the course of development and the goals and activities of government. The analytical framework employed here for understanding and criticism of this development is the synthesis of several theories of state and society.

Much of the literature of the state's influence on urban systems has chosen to bypass this tangle of relations by assuming that central state government has no significant impact on urban development, and by viewing 'state' and 'society' as separate polar opposites. A number of classic Marxist analysts have understood the distinction between polity and economy, and have focused on the economically determined structural logic which is too simplistic to be used here. However, the conceptualization of this articulation was for "capital in general." Likewise, a great of deal work has focused on the extraction and articulation of social surplus product, including, for example, the consideration of the relation between major societal epochs and stages of urban industrial development (Johnston, 1980).

On the national level, the formerly neglected topic of the nature of the state, and its role in promoting and perpetuating underdevelopment and inequalities in income, housing, and other socio-economic arenas, has become an important focus for investigation. Johnston (1982), for example, argued that despite the growth of interest in political geography through the 1960's and 1970's, the subject itself lacked a sensible treatment of the very element it sought to understand - namely, the state. This lack of attention has been corrected recently with the increasing importance placed on urbanization in the developing nations (Short, 1984; Dear and Scott, 1981; Castells, 1978; Saunders, 1979, 1982). As Gilbert and Healey (1985:4) observed, few studies on

the Third World have "explicitly examined the nature of the state in their analyses of urban planning and decision making." Earlier analyses of governmental intervention generally implied a model of the liberal, pluralist state acting, on all occasions, in the best interests of society as a whole. Accordingly, a large proportion of the debate over the character of the state in a capitalist society stemmed from a critique of this pluralist perspective.

Marxists view urban patterns outside the socialist world as the inevitable product of capitalist exploitation, with bourgeois governments bound to the interests of their capitalist masters. A focus on the international position of Third World countries, whether inspired by dependency theory or on a world-system perspective, prompted research on the relationship between dependency, positions in the world system, and urbanization. Michael Timberlake and Jeffrey Kentor (1984) note that the greater the level of dependency, as measured by foreign investments, the higher the level of urbanization at a given level of development, and the higher the ratio of services to manufacturing employment. According to Firebaugh (1985), the Third World caught up with Western Europe in the proportion of the non-farm population living in urban areas in 1960 - at a much earlier stage in the urban transition. Moreover, the dependency approach has been widely applied at the macro-level in the study of Third World urbanization (Darakakis-Smith, 1981; Walton, 1976).

There are still relatively few studies that attempt to use the dependency approach to link macro-level forces to micro-level phenomenon. Moreover, arguing that all forms of change are the direct outcome of global dependency relations ignores the importance

of the power of the state, both legitimate and otherwise. In many Third World countries, the state has become very powerful, centralizing decision making and bolstering class interests. Even if the world economic system does not determine everything, viewing cities within a national or international context is an important trend in recent decades (Castells, 1991; Feagin, 1988).

Deterministic models such as dependency, world system theory and structuralist analysis have difficulty in explaining variations within a broad conditioning pattern of urban form. Earlier pluralist studies, as well as their critics among researchers of non-decision making (Bachrach and Baratz 1962, 1963), were individualistic in scope and often market oriented, by ignoring the biasing effect of political-economic structure, or what Clarence Stone (1989) calls "systematic power."² Each of these approaches throws out the baby (i.e, the legitimate insights of political economy) with the bath water (i.e, economic determinism). Accordingly, the argument presented here seeks to prove that the growth and change of a city cannot be understood either in terms of the economic imperative or political neutralism toward development and planning.

Skocpol and her coauthors (1985) define the degree of state autonomy as the extent to which the state causes behavioral and structural changes which are opposed by powerful societal factions. They argue that state officials have organizational interests of their own; they and the bureaucratic agencies they control compete vigorously with one another. New policies are often shaped by independent government officials who are

². According to Stone, the concept of systemic power highlights how and why public officials are attracted to a partnership with certain social groups as to enhance the institutional resources for urban development.

conscious of either grassroots or business demands. Skocpol limits the concept's applicability to instances in which there is a conflict between the state's interests and those of the economically and politically dominant class. Her argument is that ultimately the class structure depends on state power. Once that state power is shattered, the class structure is open to challenge from subordinate classes. The requisites of state power - organizational autonomy and access to societal surplus - collide with the material interests of the dominant class. Therefore, the Marxist logic of class struggle leading to societal transformation is replaced by Skocpol with conflicts between the state and social classes, including conflicts with the dominant class. The practical actions of development policy may be negotiated by the conflicting powerful interests in society, and are mediated through the institutional apparatus of the state. The state personnel make the decisions, rather than the members of the powerful classes.

Recently, many scholars have paid close attention to the role of the state in guiding and directing urban development strategies in developing countries (Danielson and Keles, 1985; Renaud, 1981; Gamer, 1981). Although this statist approach reveals important dimensions of the developing countries' urbanization, it overly stresses the independent role of the political power, while ignoring other important socio-economic forces such as social classes and business groups.

State autonomy does not mean that the state can completely escape the various constraints within the class structures and business cycles. It means, however, that any explanation of state policy must make reference to the political, economic, and ideological interests of the state elites. The state is viewed as a key actor in policy

process. John Mollenkopf (1975:1983:1992) stresses the catalytic, conflict-generating, and, indeed politicizing consequences that flow from the expanding activities of the capitalist state. For Mollenkopf, state action to promote urban economic development inevitably politicizes many urban issues, including issues of social service delivery. In his words: "Of all the contextual factors which structure markets, the state is the most important. Land use patterns are inherently collective, public matters. They cannot be set up without government action...to plan about how owners use their property. As a result, land use questions... inevitably become political" (1975:274).

Manuel Castells (1978) and Michael Smith (1979) are two urban political economists who consider the state to occupy an important and distinctive role with respect to cities. Although the state's policies are still interpreted as essentially supportive of economic interests, the scope of these activities are substantially enlarged in their argument. They reject the Marxist tradition which sees the state as "the passive and direct instrument of the dominant classes." Instead, the state occupies a structural position in the entire political economy of each society when it acts in the interests of the whole capitalist system. In *The City and the Grassroots* (1983), Castells revises his previously published ideas and theories about the cause of change in urban forms, which were heavily influenced by Marxist structuralism. His basic concept of the urban process requires simultaneous analyses of social groups (e.g., class, gender), structures (e.g., state institutions), and practices (e.g., capital accumulation, elections, urban movements). In particular, he focuses on urban social change viewed as the historical product of the interrelations between the "city," and the urban forms, and "grassroots," the self-directed

movement of city inhabitants to restructure society. This leads Castells to suggest that research into the role and function of the state and urban contradictions might more profitably start from a theorized history of states' rather than a general theory of the state *per se*.

By viewing the state as potentially independent of economic constraints, Mollenkopf complements Castell and Smith's work. He emphasizes that political dynamics are at the forefront of urban development policy, and that politics and government are an "independent driving force" which can override economic interests (1983;1992). For him, economic forces are important, but they can be amplified or dismantled by state actions. This enables him to synthesize the economic and political logic as "a newly emerging view" in explaining urban development (1992), suggesting the need to focus on the relationship between urban development, economic context and political processes. In this context, this approach can be applied to South Korea, where the dominance of colonial state bureaucracy and a "bureaucratic authoritarian" regime make the relationship between administration and these administerees especially crucial. Moreover, the administrative relationship carries a particular political significance in an authoritarian state such as South Korea where representative politics is weak.³

³. The Constitution of 1962 established a government with a strong executive and a weak legislature, and changes since then have strengthened the former and weakened the latter.

STATE INTERESTS AND URBAN DEVELOPMENT: THE INTERPLAY BETWEEN THE STATE AND CAPITAL

A concern in the dissertation is with how the state's urban interests and policies have evolved with their own capacities to direct, and compensate for, the stress of urban change. One of the most important ongoing debates in policy and academic circles in South Korea is over what role the state plays in a capitalist economy and society and why. The questions have become more timely in light of recent efforts to understand the relationship between capitalism and state intervention in South Korea. Especially the formulation of "industrial policy" in national economic planning in a serious way for the first time since the 1960's. Fundamental to Korea's rapid economic development was a strong and autonomous state⁴ (Amsden, 1989; Huer, 1989; Jones and Sakong, 1980), which provided a direction to the operation of a growth-oriented market mechanism. The market was guided by a conception of long-term national rationality of investment formulated by government institutions. It is the "synergy" between the state and the market that provides the basis for this development.

The interplay of state and capital, and the conditions of this interplay, require more detailed attention than previously given. State interests cannot be assumed to consist of the aggregate of the individual preferences of the officials. As matter of fact, most theories of the state, whether liberal or Marxist, accept that the state is often forced to

⁴. Here, the autonomous state is used as a synonym for the state's "strength" or "power," which is hardly surprising since autonomy implies something about the latter, and vice versa.

give priority to what may be conflicting goals: capital accumulation versus legitimation, efficiency versus equity.

According to Desmond King (1987:220-21), the state's interest in urban development has two broad distinctions. One interest is those state activities concerned with the perpetuation of the central state (such as the maintenance of public order, political legitimacy, durable political institutions, and revenues). Referring to Eckstein's (1971) criteria of effective political performance by states or governments, these activities are carried on by the state, and, to a considerable degree, by the cities. States and state managers have basic interests in cities deriving from their presumed desire for perpetuation. The other set of urban activities undertaken by the state is related with those activities and public policies necessary for the vitality of municipalities. The basic services are expanded from the indispensable urban services, such as fire protection and garbage collection, to more specialized types of collective consumption goods, such as educational facilities, public housing, and transportation systems as the city becomes more vital. King (1987:222) argues that the provision of special collective goods contributes to the legitimacy of the state, paralleling many other activities assumed by the state in the twentieth century, which continue maintenance of public order and state authority. There is a group of government policies concerned with clear economic issues which are most relevant to the survival of capitalism - price and wage policies, industrial investment, housing, land, education, road, and so on.⁵ Such government policies are

⁵. Many Marxist writers assume that all issues dealt with by the state are of direct or indirect relevance to the stability and continuation of the capitalist system. However, there are government policies which have nothing to do with capitalist interests.

obviously relevant to capitalist interests, as opposed to selected interests as a whole (George and Wilding, 1985:135).

Neither political nor economic forces alone are best in explaining the changing face of the city, rather it is the interplay of both forces that precipitates change. It is desirable, then, for theory to begin to focus more on the interaction of political and economic factors, rather than see them as separate issues; in order to derive useful concepts of how their interaction might positively influence urban development. Therefore, one must assert that at the local level it is wrong to hypothesize a separation of the political from the economic. The individuals active in these two sectors are completely intertwined by crosscutting networks. Furthermore, only recently have Marxist analysts come to recognize what critics of liberalism have known for quite some time: the fractious nature of the relationship between the state and capital, each of which are constituted by fractions (O'Connor 1973; Plotkin 1980). In this view, the structure and political orientation of the state became a battleground where the two issues, to achieve the state legitimacy and to promote capital accumulation, are fought out (Mollenkopf, 1992:31). However, O'Connor's work grossly underestimates the contribution which economic growth can make to political stability. Thus, public policies which promote capital accumulation are at the same time promoting political legitimation. This analysis is critical to understanding the relationship between the state and capital. In particular, most capitalist countries, including developing and developed, in order to

Examples of this are abortion, family planning, drug addiction, cemeteries, and so on (Georgr and Wilding, 1985:135).

maintain conditions favorable to capital accumulation, have made a planned and systematic effort at technological innovation. This technical and social change is leading to an increase in state and political interventions, which become not only the center but the driving force of a social formation. The formation's complexity requires centralized decision-making. In addition, the extensive intervention of the state in the process of capital accumulation facilitates the expansion of the new urban middle class in the state sector.

As Jessop noted, "it is essential to consider to the complex forms of articulation among state institutions and between state and non-state institutions in the overall reproduction of capital accumulation and political domination" (1990:117). Based on this conceptualization of the state and its role, my study assumes that urban development in Third World countries is shaped by the interplay of the state, social classes, and the economic system (Gilbert and Ward, 1985; Castells, 1978).

While the political and economic factors act upon one another, their interaction shapes policy outcomes. One may devote attention to analyzing the changing patterns of cities in terms of physical and structural characteristics, but ultimately the study of urban development is incomplete unless the understanding of the policy dimension is enhanced. We must now attempt to understand how the interaction of political and economic factors shapes urban public policy. Public policy is a commonplace terms that is difficult to define. Most definitions of public policy are in basic agreement, and differences are essentially semantic. For this purpose, however, I accept Robert Salisbury's definition: "public policy consists of authoritative or sanctioned decisions by governmental action.

It refers to the 'substance' of what government does and is to be distinguished from the processes by which decisions are made. Policy here means the outcomes or outputs of governmental processes" (Salisbury, 1968:152).

Urban development policy can be defined "as consisting of those practices fostered by public authority that contribute to the shaping of the local community through control of land use and investments in local structure" (Stone, 1987:6). The question of allocation politics is important not only in programs for the distribution of housing or public services, but also in development control, zoning property, taxation, and industrial relocation. In particular, the development policy, as it emerges in practice is the point at which state interventions affect people both distributionally and ideologically.

Moreover, urban development policy often agrees with the political logic which is concerned with authoritative allocation of urban development resources, or as Harold Lasswell termed, "who gets what" (1961). Yet, it does not benefit everyone equally. Development is, in fact, an excellent institutional source of fluid assets that enable governmental officials to have a sustained role in making governing decisions. By its nature, development policy is political. In the words of Todd Swanstrom, "because development is a locational good, it naturally benefits, and harms, some more than others" (1988:99). Unlike Paule Peterson's view, there are definite winners and losers, the benefits of development are not "for all members of the city" (Peterson, 1981:147). The spatial effects of developmental policy can be manipulated by professional politicians or bureaucrats to enhance their political organization and power.

In order to recognize the influence of economic factors, like business and

capitalist, is not necessary to subscribe to Marxists theory. Lindblom's (1977) analysis of the privileged position occupied by market forces is an excellent example of a non-Marxist study which challenges the dominance of pluralist assumptions in contemporary political science. Moreover, as Dear and Clark asserted (1981:1279), the separation of the economic and the political spheres will obscure the purpose of state intervention. Accordingly, this study will concentrate not only on patterns of class interests but on the institutional forms through which the state intervenes in the urban process. Class relations and conflicting class interests can influence urban phenomena by limiting or imposing the fiscal basis for policy, and by requiring state policy responses to problems caused by uneven policy development. Nevertheless, class interests do not simply create politics (Mollenkopf, 1992; Castells, 1983).

In practically all developing countries, the role of the state is dominant, so that a laissez-faire approach to the location of population and economic activities, similar to that of most advanced economies at comparable levels of urbanization, is impossible. The government has an inevitable influence through its policies, the location of infrastructure investment, and the public enterprises that it controls. Because government is an important and sometimes even a dominant partner in the growth processes, it must clarify its objectives and strategies. This does not mean that the state is relieved from all economic constraints experienced by the private sector, but rather that a well conceived strategy is a requirement for more rapid progress. It is true, in many developing countries, that national spatial development is marked by a high degree of economic dualism and inequality among regions and urban areas. In mixed economies,

governments, nationally and locally, play a major part in stimulating or inhibiting economic activity, by expanding or restricting the opportunities for production and consumption, and otherwise exercising controls on the location decisions of industrialists, commercial enterprises, housing developers, and individual households.

Joy Feagin (1988) has noted that the state in modern capitalist societies is linked, in historically shaped and fluctuating ways, to capitalists and the capital accumulation process. Accordingly, the state plays a crucial, albeit sometimes dysfunctional, role in fostering capital accumulation; in grappling with market contradictions and the social costs of urban growth; in mediating struggles between classes and fractions of class; and in enhancing the legitimacy of the established political-economic system. In particular, as John Freeman and Raymond Duvall (1981:99-105) have argued, in less-developed economies there is a greater tendency for the state to play the role of entrepreneur - hence the term "state entrepreneurship" or "developmentalist state" - emphasizing the importance of capitalist performance criteria and the extensive commitment to capitalism. This notion is very close to the Korean government's ideology that has directed the state toward capitalism. The state often intervenes to solve crises in market fluctuation and capital accumulation, as well as to mediate conflicts. From the various explicit urban development policies, the developmentalist state would lead the people to believe that state policies represent the "national interest" and serve the needs of the people. On a deeper level, the policies enhance a sense of nationhood. One of the most important legacies of colonialism is that it created states with a "national" territory, but no nation. Part of state policy in developmentalist states is therefore directed towards inventing a

nation (Gore, 1984:250). This is particularly important to Korea, which gained independence after the Second World War with a set of state institutions modelled on the Western democracies.

In my view, the modern Korean state has more autonomy in formulating and executing policy than is accorded to it by most pluralists or neo-Marxists. For instance, sections of the national development plans treated migration, housing, and regional disparities. Almost all the urban policies developed over the past three decades originated in the plans. This is a basic feature of the nature of the developmentalist state intervention. Referring to this, Charles Gore (1984:244) writes that the government of a developmentalist state uses state power to increase material production through facilitating private capital accumulation, and by establishing state enterprises run on profit-making principles. He continues to argue that the government also suggests the principle of legitimacy over the state and its rule by the claim that it represents the common interest on national development.

Since the powers of the Korean state have greatly increased with the rapid industrialization since the 1960's, in both absolute and relative terms. It becomes absurd to think of the state as subordinate in theory or in practice to any class or constellation of interest groups. The argument to be addressed is that while the actions of the state officials in the capitalist developing countries were dependent on a successful economic base for their continued survival in office, they continued to formulate and implement their preferences with regard to material production and capital accumulation. However, these benefits of the increase in material production, through private or state capital

accumulation are, in the short term, necessarily distributed unequally between social groups and spatial areas.

The state is not the creature of a balance among class interests, but it is itself an 'arena' within which class and group interests are worked out. As Mollenkopf has asserted, this approach, of course, does not direct "one-sided political determinism" (1992:37). It requires us to match economic logic with more specific analysis.

This dynamic cannot be predicted from universal laws. The effects of the interconnected forces on urban development are not uncommon to a wide variety of cities. The combination of concerns and understandings vested in urban planning and administration will vary from place to place, and will also depend on the content of the policy and the groups it affects. Unlike a purely instrumentalist view which tends to argue that most state actions are made on behalf of, and at the behest of, particular groups, I suggest that it seems unlikely that any single interpretation of the state is appropriate at all times and to all parts of the world. There is some geographical and temporal variation in the appropriateness of the interpretation. This dissertation only presents a general analysis of the urban interests of the Korean state, and evidence on how they have evolved under the impact of economic and social change.

CHAPTER THREE

Seoul as a Colonial City and Its Dependent Urban Development

One dimension that is often neglected in current urban development studies in Korea is the historical. Therefore, it is worth emphasizing not only that the events of the colonial period were of fundamental importance in helping to shape present patterns of urban growth and urbanization, but also that the roots of urban growth in the developing countries extend back to earlier periods than the colonial one.

Internal weaknesses in the late Yi dynasty - such as economic instability and political factionalism - caused the fall of the "Hermit Kingdom,"¹ and weakened the nation physically. At this juncture, Japan emerged as a modern state and utilized every opportunity to bring Korea into its sphere of influence. With the Kanghwa Treaty with Japan in 1876, Korea ended its period of isolation, became exposed to foreign pressures, and began to enter early modern capitalist society. Japan's careless efforts culminated with the annexation of Korea in 1910, where it became a Japanese colony.

The impact of colonialism on urban development in Korea is to be understood as the impact of a Japanese (i.e. culturally), capitalist-industrialist, and colonial (i.e. politically dominant) power. Support for the use of these variables in examining colonial urban development may be found in Sjoberg's essay on "The Modern City" (1968). This

¹. This means the late Yi dynasty from 1637 to 1876. During this period, the country did not open its doors to anyone else but China.

chapter begins with a survey of the political, socio-economic, and physical base upon which the post-war growth of Seoul was built. More specifically, the aim of this chapter is to show how the colonial urban system, focusing on urbanization and its related housing and land development, is determined by the overall social and political structure. The early colonial period of urban Korea's ideas and practices have had a lasting effect upon the planning of Korea's cities. Thus, an analysis of this period aids in understanding the origins of the modern urban system and its organization.

THE EMERGENCE OF THE MODERN CAPITALIST CITY IN KOREA

Pre-Colonial Historical Background

Seoul has been both the capital and premier city of Korea for nearly six centuries. Seoul traces its origins to a small settlement that was the capital of the Paekche dynasty, one of the three ancient kingdoms of Korea. But, Silla, which developed the most slowly of among the three kingdoms, had made great progress by the sixth century, and occupied the Han River² basin of Seoul.

In 936, the Koryo dynasty came to power and designated Seoul as one

². Isabella Bishop (1925:75), a British geographer who visited Korea four times between 1894 and 1897, has written about the Han River and its importance as a waterway: "...Han River is the great artery of communication for much of Kangwon-do and Kyongki-do, and for the northeast portion of Chungch'ong-do; down it all the excess produce of this great region goes to Seoul."

of its three minor capitals in 1067. At this time, the construction of palaces in the town injected vigor into the growth of Seoul. The palace building was motivated by a Buddhist priest named Toson who was well versed in geomancy which came from the P'ungsu theory³ (Lee, 1954:341-58). With the founding of the Choson kingdom in 1392, Seoul became the capital of a highly centralized administration and by the early fifteenth century, the town developed into a walled city known by the Chinese letter '回' (see Appendix 1). This type of city was patterned on "the Chinese principle"⁴ of urban design.

The transfer of the capital from Kaesong⁵ to Hanyang (the old name of Seoul) was influenced by the Buddhist Muhak who was king Taejo's political advisor. After the designation of Seoul as the primary site, the authorities constructed the imperial ancestor's shrine, the deities of the state, palaces, markets, and roads. As Mumford (1961:56) observed, the emergence and growth of cities seems to be connected with the introduction of temple, citadel, palace, etc. The construction of a great palace and royal shrine has a significant meaning in the formation of today's Seoul. For instance, most

³. The P'ungsu theory is based on the belief that human beings can get certain power or capacities through the buried dead bodies of their parents or ancestors. These bodies absorb a vital force which is in circulation under the earth, and conduct it to their descendants.

⁴. According to the Chinese book *Chure*, the castle town of the king is nine ri (3.5 kilometer) and establishes four gates in all directions. There exists the shrine of royal ancestors in the east, the guardian deities of the state, the governmental offices in the south, and the residential areas and markets in the north, centering around the king's palace.

⁵. Kaesong had been the capital of the Koryo kingdom for nearly four hundred years and is now located in North Korea.

palaces and private mansions of the ruling class were constructed on the north side, while most middle and low class residences were located on the south side of the city.⁶ The markets established in the north area by this time developed into the Central Business District of today in Chong-ro (Kim, 1973:56-60).

However, after a peaceful period of two centuries from the early 1400's to the late 1500's, the city was faced with continuing wars and foreign invasions. The original form of the city vanished. The destruction during the fifty-year long war was so immense and nation-wide that it was almost impossible to rehabilitate the city within a short period. It took another century to restore the city to its original form from the reign of king Hyojong (1649-1669) to the reign of Yongjong (1724-1776).

The city grew in a haphazard fashion, mainly inside the fortified walls, with the population fluctuating around 200,000 inhabitants from the mid-seventeenth to the late nineteenth century. Historical records indicate that the population was 110,000 in 1428, the year its residents were transferred into a newly fortified city. The population increased to about 190,000 in 1789 and it is believed to have remained at that level for the next century. In 1789, Seoul's population was almost 21.4 percent of the total urban population and seven times larger than the second biggest city, Kaesong (28,000).⁷ This primacy reflects two factors: Seoul was the capital city where most of the privileged

⁶. The north and south side at that time mean the north and south within the northern area of the Han river.

⁷. The first data on the number of households and population of each administrative unit of province and country became available in 1789 and these are unique source to analyze the population distribution among regions in the Yi Dynasty. See more detail, Son. 1974.

upper class people lived; and it was possible to sustain a large population because of abundant and fertile agricultural land close to the city.

The general trend of population change for the nation and its capital over five centuries is typical of pre-industrial walled city structures. The steady growth of population indicates a maximum capacity in the pre-industrial city. Compared with the growth of the national total population, the limited area inside the walled city and the social, political, and economic structure of the ruling class contributed to the non-expanding nature of the capital city.⁸ Yet, with the introduction of modern capitalism in the late nineteenth century in the country, Seoul was marked by remarkable changes in its physical and demographic structure. Seoul's population increased especially during the colonial period, from 250,000 in 1915 to about 1,000,000 in 1944 (see Table 2.1).

Before the full emergence of a capitalist economy at the end of the nineteenth century, Seoul's physical structure was typical of a pre-industrial city. It was essentially a small-scale settlement based on a mercantile economy and a rigid social order stemming from the tradition of medieval feudalism.⁹ Close to the traditional center of authority,

⁸. For the static population of Seoul during the Yi dynasty, there are many reasons such as the repeated diffusion of epidemics and seasonal drought, frequent wars, or inaccurate census counts (SMG, 1986:17-18). Nevertheless, it seems clear that the city could not support more than 20,000 residents inside and outside the walls.

⁹. Some writers use the term "feudalism" to describe the precolonial agrarian social structure, but it bore only superficial resemblance to the European model. The lord-peasant relationship in dynastic Korea, especially in the later Yi dynasty, was far less rigid and authoritarian than on the European demesnes. In the former, the peasant was 'free' and not a serf legally bound to the lord; landlords could not control peasants' mobility nor did they have the right to interfere in their personal lives (approving marriages and the like); nor could forbid a peasant from acquiring land. These legal powers, which were enjoyed by European serfdom, were absent in Korea.

were the large mansions of the indigenous Yangban (traditional Korean aristocratic classes). Moreover, the spatial expression of the city was marked by a pleasant and exclusive central core (or Four Gates) surrounded by a poorly-built periphery. The indigenous aristocratic classes within the four gates were also in control of the political, administrative and social function of the city. As Sjoberg (1960:83-85) has argued, these elites tended to favor a residential location close to the administrative, political and socio-economic institutions, typically located in the center of the city, thus producing an exclusive, high-status core.

In the late 19th century, many Westerners who visited Seoul for the first time observed the situation and daily life of the urban elites. For example, Robert Moose (1911:63) described the striking behavior of this high class:

In the capital there are many people who have no business... that is to say, they are gentlemen of leisure. They are gentlemen, and gentlemen are not supposed to meddle with such sordid matters as manufacture and merchandise... no, not even office work, unless it be an office connected with the government. The business of a gentlemen is to hold and rule the people, and Seoul is supremely a city of gentlemen.

In relation to the gentlemen city, Moose (1911:63) added it more detail:

In short, Seoul, as compared with the great cities of the Western world, reminds one of a great city which has knocked off work and is taking a holiday. There are thousands of people here who have no work nor business of any sort but to play the gentleman, walk the streets, smoke their long-stemmed pipes, and talk about the depths and profoundness of the wisdom of the ancients.

The proportion of this gentlemen class in the total population of the city is not

clear, but according to basic observational data, it might have formed a majority of the population. Professional classes also resided in Seoul, for their jobs related to special needs: foreign language interpreters, doctors, weathermen, and so on. This group lived in the central part of the city. Thus, their class name was a Chung'in (central man).

From this point of view, residential structure was determined by the people's social and political class. It is likely that the traditional urban spatial structure in Korea developed for the highly centralized government structure in the Choson kingdom, and thus urban planning was basically shaped around the palaces symbolizing royal authority (Choi, 1991:117-119). The strong centralized feudal government of the Yi dynasty brought into Seoul extreme concentrations of nobility. This, the single source of city growth, was steady but slow. Thus, Seoul became a typical "primate city"¹⁰ in this period. In 1904, in the rank-size distribution of cities and towns of 5,000 population, Seoul was six times larger than the second city of P'yongyang (the present capital of North Korea) (Son, 1975:110).

Foreign Penetration and The Rise of the Modern City

In order to understand Seoul's growth as a modern city, one needs to look at the emergence of the modern Korean state and the development of early capitalism in Korea. In addition, the exploration of the ways in which changing political, socio-economic

¹⁰. "Primate city" usually means the city which is significantly more than twice the population size of the second-ranking center.

structures in the country have led to Seoul's sequential shifts in the bases of historical and social action are necessary.

During the late nineteenth century, a rapid transition to capitalism occurred in Korea. The late Yi dynastic leadership launched a rather vigorous "enlightenment" campaign in the early 1880's in emulation of Meiji Japanese and Ch'ing Chinese modernization movements. Using the base line 1876, the year preceding the Japanese conquest of Korea, one can trace this pattern historically.

Following unsuccessful attempts by France (1866), and the United States (1866 and 1871), to open the Korean peninsula, Japan invaded Kanghwa island (located nearest to Seoul) by using the warships to demand the opening of Korean ports. The Korean government was forced to sign the first treaty of amity with Japan in 1876.¹¹ In the seventy years between the opening of Korea's ports (1876) and Liberation (1945), Korea witnessed the birth and growth of capitalist classes (Eckert, 1991; Robinson, 1988; Park, 1985). Carter Eckert (1991:253) argues that although the Japanese restricted Korean entrepreneurship during this period, some businessmen nevertheless took an irrevocable steps into industrial civilization. To acknowledge that capitalism had its origin in this period is to suggest that the roots of the vibrant and internationally recognized capitalism

¹¹. All of the treaties of the Korean government concluded with Japan since 1876 were unequal in content. The Treaty of Amity stipulated that Korea's ports should be opened to Japanese merchants to build houses and to engage freely in commerce. In addition, no customs duties were to be imposed on trade with Japan, and Japanese merchants could engage in commercial activities with Japanese currency in the open ports. These unequal treaties provided a legal springboard for Japan's political and economic aggressions against Korea (Lee, 1986:255-57).

of South Korea today might in some way be traceable to Japan.¹²

In order to block the Japanese from obtaining a monopoly on foreign invasions and receiving Western diplomats, the Korean government also concluded treaties of amity and commerce with the U.S., England, Germany, Russia, France, and other nations in the end of 1870's. These treaties seemed to offer the Western powers a break in Korea's long isolation,¹³ and they began to take an interest in relations with the late Yi dynasty. As a result, Korea ceased to be a "Hermit Kingdom."

Although Korea entered the international arena by signing treaties with various nations, the treaties signed during these times were unfair to Korea. For through these treaties, Korea was forced to permit the rights of low tariff rates, extraterritoriality, and residence of foreign nationals in Korea's open ports. In effect, the treaties prepared a springboard for possible political and economic aggressions against Korea by these nations (Cho, 1973 b:145-47). Divorced from the hermetic position, the country became a part of the modern capitalist world.

Foreign residential quarters affected the existing urban structure during the early

¹². In a country where national pride is not only very sensitive but closely connected with anti-Japanese sentiment, the idea of Japan as agency of "modernization" is psychologically wrenching. Many South Koreans would naturally much rather believe that the original impetus for capitalist growth came from within Korea itself.

¹³. The isolation in Korean history engendered many obstacles on the road to modernization in Korea. First of all, the isolation policy prevented international contacts which, in the West, often played a vital role in modern economic growth during the nineteenth century (Suh, 1978:1-2). And it also meant a loss of the traditional source of strength for political unity of the nation by bearing a heavy burden of national defense against the frequent invasions of powerful nations (China, Japan, and Russia).

modernization period.¹⁴ Characterizing the pre-industrial towns, the private handicraft industries in Seoul and other villages did not develop into factories until the late nineteenth century. Almost all the industrial activities in Korea utilizing the factory system of manufacturing were undertaken by Japanese entrepreneurs who emigrated to Korea after the Treaty of 1876 (Juhn, 1965:29-30). Unlike the previous era, this period was shaped more by external stimulus than by internal dynamism. In other words, the advent of the modern city in Korea was closely related to its opening to foreign residents and international mercantile trade. Increasing contact with the foreign capitalists began to enhance Seoul's economic dominance over its hinterland. Particularly, the commercial treaty with Japan brought about a rapid expansion of foreign trade and its complete monopoly by Japan. On the other hand, China was menaced by the Japanese penetration into the Korean peninsula and concluded the Korea-China Land and Sea Commercial Activity Treaty in 1882 in order to transform their relationship from a traditional dependent one to one based on equality with Korea. Seoul was opened by the treaty which approved the Market Establishment Right for the Chinese in both Seoul and Yanghwajin. Immediately after the treaty's signing, Seoul became the place of struggle for the great capitalist powers by opening itself to other countries such as the United States, Great Britain, Germany, Japan, and China. With the opening of Seoul, the city wall was torn down, and the boundaries expanded to include the old market towns and

¹⁴. The foreign settlement was first established by The Jaemulp'o Foreign Settlement Rule on October 3, 1884 in Inch'on. The rule was drafted by W.G. Aston who was the first British Consul-General in Seoul and acted as the leader of diplomatic officials in Seoul (Inch'on Pusa, 1976:135).

lower class areas outside the walled city.

In the early 1880's, king Kojong relaxed the rule and permitted foreign legations, missionaries, and traders to buy land in Chong-dong. As a result, Chong-dong changed to a "Legation Street", where, by 1896, foreign counsels representing the United States, Russia, Germany, Great Britain, and France were established. In the neighborhood of their counsels: churches, mission schools, and commercial establishments were built. However, on the local or even national perspective, the reliance on foreign trade resulted in a peripheral and dependent form of capitalism. Because the opening of ports was forced upon the Korean government, it could not impose protective duties.

When Seoul was opened to foreign intercourse through a treaty with China in 1882, Korea made it a rule to keep foreigners living outside the city walls. Even the first Japanese legation was located in Kyonggi Chungyong called Ch'ongsu Kwan outside the Great West Gate in 1880. With both the Jaemulp'o Treaty and the Korea-Japan Friendship Treaty in 1882, the Japanese government required the opening of Yanghwajin located in an important corner of the western city wall, and the Korean government recognized the legal commercial activities and residence of the Japanese. In 1885, after the conclusion of the Hansong (Seoul's old name) Treaty, Japanese merchants started setting up businesses in the neighborhood of their legation building, and by 1889, a Japanese town was established in Chingogae, presently a stretch of the Ch'ungmuro area joining Myong-dong, where some 70 Japanese stores flourished. By the early twentieth century, the Japanese small shops and trading posts covered the entirety of Seoul. As a ruling class, the Japanese outnumbered even the *yangban* (the Korean aristocratic class)

whom they displaced. Many of them were in commerce, but the largest group was in governmental service, 41.4 percent as opposed to 2.9 percent of Koreans in offices of small significance (Henderson, 1968:75).

In any system the degree of 'openness' to external influence, and the degree of dependency implied by such external relationships, strongly influences the internal organization and growth performance of the system. For several years after the conclusion of the Kanghai treaty, Japan enjoyed a practically exclusive control over Korea's foreign trade. Japan was also successful in influencing the Korean government to follow its own steps into modernization. In 1894, a program of social reforms known as the Gabo Reforms, was initiated by pro-Japanese Korean officials as the first modern reform in Korea (Savada and Shaw, 1992:49). *Yangban* and commoners were made equal before the law; the old Confucian civil service examinations were abolished; and slavery and *ch'onmin* (lowest class) status was ended. Modern forms of government and administration, largely borrowed from Japan, were adopted. In the years before annexation, a self-strengthening movement and other government reforms attempted to regain Korean control of the pace and direction of change. Such ideas led to the proclamation of Taehan Cheguk (Korean Empire) in 1897. In this time, the various reform policies of the government heightened national autonomy and aided in the wide acceptance of modern civilization.¹⁵ However, severe clique strife within the government

¹⁵. These reforms were espoused by young bureaucrats, Kim Ok Kyun, Hong Young Sik, Park Yong Hyou, and So Jupil who had received training in Japan and the U.S. These bureaucrats proposed changing the present political system of monarchy to a constitutional monarchy, appointing public officials regardless of their social status.

impeded these reform policies and since they were not consistently enforced they were unable to completely check foreign interventions.

Starting from the "Korea-Japan Eulsa Treaty" in 1905, which had stolen the sovereignty of the Yi dynasty, Seoul underwent many changes and hardships. By establishing To'nggam-bu (Residency-General) at Yongsan, on the banks of the Han River, the water front district thrived with Japanese soldiers and Korean workers. Thus, the old saying that anyone who dominates the Han River can dominate the Korean peninsula came true once again.

It is true that the open-door policy during the transition period in Korea, gave rise to the emergence and rapid growth of some modern sectors in the Korean urban areas and particularly in Seoul (Son, 1989). One of the most important was the construction of the Seoul/Pusan railroad¹⁶ that marked the beginnings of modern urban growth in Korea. A modern urban infrastructure was installed at the insistence of foreigners and a westernized Korean bourgeoisie that was beginning to emerge. Following the completion, Japan took away even the country's nominal sovereignty and turned Korea into a Japanese colony in 1910. The Japanese government degraded Seoul's political and administrative position by changing its direct control from the central government to Kyongki province government.

¹⁶.e Seoul-Pusan railway was one of the four railway plans considered by the Japanese government and business in 1894 and established in 1906. At this time, Pusan had a large Japanese business community, and handled most of the trade between Korea and Japan. It was the construction of this line which aroused the most interest in Japan (Hunter, 1977:573-599).

THE COLONIAL URBAN DEVELOPMENT OF SEOUL: URBANIZATION AND HOUSING DEVELOPMENT

Colonial Urban Growth: Changing Mode of Urban Structures

Demographic Trends

It was only following the Japanese annexation in 1910 that the rapid social transformation of Korea began. By 1910, the residential areas of Seoul began to sprawl out beyond the stone walls along the main roads converging on the core of the city. The completion in 1917 of the first pedestrian bridge across the Han River furthered the expansion of the city area toward the Yongdongp'o district. With the advent of two railways - Seoul-Pusan in 1906 and Seoul-Inch'on in 1920, urbanization began to expand around the railway stations. The population of Seoul was 25,000 in 1910 but natural increases and the sudden immigration of Japanese residents to Korea made the population of Seoul exceed 800,000 by 1940.

Though population concentration in urban areas is generally believed to be unique in countries of Europe and America, Korea also has been experiencing a rapid expansion of urban population since 1910. Most Korean demographers agree that Korea started its distinct demographic transition during the colonial era (1910-1945). The share of urban population grew from 3 percent to 7 percent of the total population between 1910 and 1936, and to 13 percent by 1944. In addition, during the period from 1910 to 1944 the population in urban areas and Seoul increased at an average annual growth rate of 6.0

percent and 5.2 percent, respectively, in comparison with the annual population growth rate of 1.6 percent nationally. Especially, Seoul's population increased by 74 percent in 1930-36 (see Table 3.1). This rapid growth was absolutely due to the expansion of administrative districts in Seoul by Ordinance No. 18 of the Government General on Feb 14, 1936 (Seoul Municipal Government, 1984:73-74).

The Japanese occupation policies cast urban development in a particular mold. It was characterized by the dominance-dependence relationship in which the ultimate source of social, economic, and political power rested in the metropolitan society.

The demographic shifts of Seoul during the colonial era can be explained by natural increase, rural decline, and Japanese immigrants to Korea. First, the decline in death rates was caused by the restoration of social order from the political and social turmoil in the late Yi dynasty,

[Table 3.1] Population and Its Annual Increase Rate, 1910-1944

(Unit: 1,000 persons, %)

Years	Nation	Growth	Urban	Growth	Seoul	Growth
1910	14,706	-	451	-	250	-
1915	15,958	1.6	508	2.5	261	0.8
1920	17,264	1.6	598	3.3	275	1.1
1925	19,020	2.0	850	7.0	303	2.0
1930	20,438	1.4	1,190	6.8	365	4.1
1936	22,208	1.7	1,954	12.8	677	15.8
1940	23,547	1.2	3,018	10.8	974	10.7
1944	25,133	1.7	3,411	2.6	1,078	2.7

Source: Chosen Government-General. 1915-1944; Seoul Municipal Government (SMG). 1986; Korea National Housing Corporation (KNHC). 1991; Kwon. 1990:259.

and by improved public health measures. The crude death rate decreased from 29 births per 1,000 population in 1925-1929 to 22 in 1938-1942, falling 7 points within the two decades for which a detailed set of registration data is available (Chang, 1966:89-90). Concurrently, the colonial policies designed for the rapid growth of population produced a high growth rate throughout the colonial period (Mills and Song, 1979:40; Chang, 1966).

Second, the volume of migration to the city during this time cannot be precisely measured because records of the annual figures were not maintained. However, many of rural residents had to move to the domestic urban areas, or Manchuria and Japan because of agricultural exploitation both by Japanese capitalists and by the Japanese colonial government's policies, namely the Project for Land Survey from 1910 to 1918 (Ko, 1973:30-37). By 1925, nearly 30 percent of the total urban population in Korea was estimated as migrants from the rural areas (Chosen Government-General, 1930).

Finally, to understand Seoul's population growth at this time one needs to understand the trend of Japanese immigration to Korea.¹⁷ To the Japanese, immigration particularly was an essential part of their colonization program. By 1911, the Japanese government had instituted the Oriental Development Company that it had to send 30,000 Japanese per year and 350,000 to 500,000 Japanese to the Korean peninsula in the next 11 years. According to reports of the Japanese Ministry of Foreign Affairs, Japanese

¹⁷. Japanese immigration to Chosen was the product of the Japanese government's immigration policy along with the rapid urbanization and industrialization since the Meiji Reform. At this time the average density per square kilometer is calculated at 100 as against 181 in Japan proper (which is now overpopulated).

emigrants totaled 640,018 in 1920; of which 275,156 went to Asia, 158,412 to North America; 139,521 to Oceania, 71,324 to South America. 3,359 to Europe and 76 to Africa (Nishiyama, 1978:101-2). The population density was only 883 persons per hori (1 hori=2.4 sq. miles) in Korea as opposed to 1,886 in Japan (SMG, 1986:235), further facilitating population expansion.

For the Japanese, it was practical and desirable to send several million emigrants from the Japanese islands to the relatively larger peninsula. At the same time, the Japanese government launched a policy of actively trying to assimilate Koreans into Japanese culture.¹⁸ The theory of assimilation was that the Koreans should be first become Japanized, after which political rights would become theirs as a matter of course. By assimilating the Koreans, Japan attempted to create its own unique empire in Northeast Asia, different from the Western imperial core-periphery structure. It can be said that this intention prompted Japan to venture to establish "the Greater East Asian Co-prosperity Sphere" in Northeast Asia. The government realized that the greater the number of Japanese migrants the greater the likelihood of success in its integration policy and therefore encouraged a larger migration from Japan (Aoyki Tsunataro, 1923:659).

Table 3.2 shows the rural exodus since the completion of the Land Survey Project in 1911, with comparable data from the domestic and overseas migration. The data showed that the majority of farmers emigrated from rural Korea to Manchuria and Japan. However, it is unlikely that Korean urban areas at this time were the ultimate destination

¹⁸. Education programs were already established to assimilate Koreans into Japanese society by obliterating Korean national consciousness. This included the degradation of Korean history and the elimination of Korean language.

for the rural migrants. The phenomenon of rural exodus due to the decline of agricultural economy inevitably fostered the growth of urban Korea because a majority of immigrants returned to urban areas with the liberation of Korea in 1945 (Kwon, 1989:206).

[Table 3.2] Distribution of the Rural Exodus Population

Years	Japan/Manchuria	Domestic	Total
1925-30	234,000	138,000	372,000
1930-35	377,000	139,000	516,000
1935-40	824,000	406,000	1,230,000
1940-45	558,000	41,000	599,000

Source: Chosen Government-General. *Chosen Annual Report*. Corresponding Years.

In many theories of geography, urban primacy is an important characteristic of urban growth in most underdeveloped societies which experience a great degree of rural exodus and colonization (Kasarda and Crenshaw, 1991; Palen, 1987; Smith, 1985). As Kasarda and Crenshaw (1991:471-72) point out, even if the definition of urban primacy is burdened by both conceptual and practical difficulties, Table 3.3 shows the degree of urban primacy in colonial Korea from the notion of a three-city primacy, regional multiple-city primacy, and national population size. The table indicates that, unlike the percentage of Seoul to the total population of Korea, Seoul's proportion to the total urban population of Korea continued to decline except for 1940, the year a few *kun* (county) of the Kyonggi province were incorporated into Seoul. By the same token, the population distribution of the three big cities also showed a similar phenomenon. Nevertheless, the data illustrates that although Seoul's percentage to the total population of Korea

decreased,¹⁹ its urbanization pattern in the colonial era showed the characteristic of "urban primacy."²⁰ By 1936, Seoul's population (677,241) was more than twice the size of the second largest city, Pusan (206,386) (Chosen Government-General, 1938:12-14). As evidenced by the demographic trends, Seoul as a primate city continued to play the role of colonial exploiter in regards to other cities and rural areas.

[Table 3.3] Trends of a Primate City and Three Big Cities, 1925-44 (Unit: %)

Criteria	1925	1930	1935	1940	1944
Primate City (Seoul)					
Per Three Big Cities	63.4	57.9	54.9	63.4	59.6
Per Total Urban Areas	40.3	33.1	27.6	33.2	29.0
Per National Population	1.6	1.7	2.8	4.1	4.2
Three Big Cities(Seoul, Pyongyang, Pusan)					
Per Total Urban Areas	63.4	57.3	50.4	52.2	48.6
Per National Population	2.8	3.2	3.5	6.0	6.4

Source: Calculated from Chosen Ch'ongdokbu. *Kukse Chosa Pogoso*. Corresponding Years.

Urban Infrastructure and Economic Structure

A recurrent theme in the colonial urban history in Seoul is that the indigenous settlements upon the site were small before the decision to create the town as an essential point for military control, a trade funnel, a service point and an administrative center.

¹⁹. This pattern is strongly similar to McGee's observation in other South East Asian colonial countries. He found that despite their important political, commercial, and educational roles, South East colonial cities did not attract large numbers of rural migrants (McGee, 1971: 142-150).

²⁰. Carol Smith defines "urban primacy" as a "situation in which the largest city within an urban system is overlarge; that is much larger than lower-ranking cities" (1985:90).

Seoul was the transportation center for the entire Korean peninsula with convenient railway and water routes to Manchuria and the Chinese mainland. The development of transport technology eliminated boundaries previously marked by traditional walls around the Four Gates of Seoul. A variety of industries sprang up in Seoul, especially in the 1930's, to supply this growing metropolitan area.

As a result, Seoul began to experience urban sprawl as a scattered-type with the destruction of the traditional walled-town (Choi, 1991:120). The first and principal direction of outward spread was toward the bank of the Han River. Starting in the Japanese Protectorate in 1910, when the walls adjoining the South Gate were removed and the railroad station was built just outside the ancient city, the Japanese Government-General combined industries, residential sections, and a Japanese military facility into the Yongsan area around the river. The Yongsan area was laid out by Japanese urban planners, facilitating the movement of many Japanese to this area. Thereafter, the Japanese population rapidly increased in the city, becoming the most important single factor of urban growth in the next 35 years up to 1945, the end of Japanese domination. More important economically, the development of Yongsan was intended to improve the transportation of Korean products onto Japan.

Urban infrastructure is one of the important aspects of societies that has critically affected urban patterns, and a region's incorporation into a changing role within the capitalist world-system (Smith, 1985:209-10). The most significant factors for colonial urban development in Korea were the new transportation networks - roads and railways - which gave impetus to the large regional city, and consequently, the organization of the

economy around regional marketing and financial centers. Changes in the transportation systems are considered by many to have been the single most important determinant of urban morphology and residential differentiation within city (Ward, 1978). This infrastructure shaped and/or reinforced Seoul's growth patterns just as technology has changed urban structure.

At the same time, these new developments had a great impact on the new urban areas in Korea. Most of the old county seat towns had lost their central, political, economic, and traditional role because the Japanese selected new county seats in convenient locations near railway stations away from the old county seats. This dramatic shift, due to the creation of new towns, arose out of the basic layout of the railroads across the nation. Most railroads bypassed the old local towns for many reasons. One of the major reasons is the fact that the old local county seats were located in places where geomancy dominated the choice of location for the settlements (Lee, 1968:44). But, more importantly the layout of the railway came from the totalitarian Japanese government's intention to root out old and traditional local influences, and strengthen the new colonial government.

Prior to the annexation of 1910, transportation development in Korea already became a priority policy of the Japanese government. By 1894, the Japanese were already considering the construction of railways in Korea. All these would originate in Seoul, the capital, and would run approximately north-east, north-west, south-east, and south-west of the city (Hunter, 1977:573). Because of the opening of Pusan as a free port and the increased trade with Japan, a railway was built to connect Pusan with Seoul in

1896. In 1906, the Japanese government took over all existing lines and placed them under the Railway Bureau of the protectorate, but upon the establishment of the Government-General in 1910, their control once more changed hands to the Japanese colonial government (Government-General, 1915:49-50). By 1928, an entire system of railways and bridges linking Manchuria with Korea was finished. The major north-south line connected Pusan with Sin'uiju on the Manchurian border with a linkage to the Manchurian rail lines. This north-south line included Pusan, Taegu, Seoul, and P'yongyang. In spite of rugged terrain, nearly 4,000 miles of rail line were completed by 1944. In short, railroad construction was intended to stimulate general economic development. Business interests saw that the railroad line was important because it opened up new markets, lowered the cost of moving Japanese goods into the interior, and facilitated rice trade (Gann, 1984:497-78). In this view, the transportation system was geared to the strategic needs of Japan and not to the regional development of Korean communities.

The colonial government was also responsible for beginning construction of a highway and a telecommunication network, along with improvements in maritime transportation. These advances served to maintain and strengthen the existing urban hierarchy by increasing the flow of interaction between cities. Lacking an adequate port and located on the western side of the peninsula (the region farthest from Japan), Seoul became dependent on intermediate rail and port cities for its trade with Japan. These intermediate cities were nodes in the trade system that developed, and, as such, became functionally important as junctions where freight from one transport system was shifted

to another system. Thus, while massive investment in urban infrastructures by Japan served to transform Korea into an export agricultural economy, it also strengthened an already existing urban hierarchy.

Just as the physical structure of Seoul underwent tremendous changes during the colonial period, so did its economic base. One major area of such change was in the production of craft goods such as textiles and metal wares. There had always been industry in the city before, if only because of the great demand for manufactured products continually generated by its huge population, but it was small in scale and traditional in organization and technology. During the colonial period, however, traditional hand crafts were seriously undermined by the effective penetration of cheaper, mass-produced substitutes from the factories of Japan.

Korea's dependence on Japan as a colonial ruler was quite different than the other colonial arrangements of that time.²¹ Whatever Japan's fundamental purpose in annexing Korea might have been, it was a necessary step to achieving complete control of the Korean economy, making it part of the periphery of Japan (Suh, 1978:6). As a result, the Korean economy underwent a significant change, largely determined by a colonial Government-General based on a political system of strict totalitarianism.²² The colonial

²¹. Lim Hyun-Chin (1989:36) explains two differences: (1) the experience goes beyond the exchange of primary products for manufactured goods and includes socio-cultural integration aimed at the Japanization of the Korean people; (2) because of this integration policy, both development and exploitation were too intricately intertwined to be differentiated in colonial Korea, much more so than in colonial Latin America and African countries.

²². Japan instituted a highly sophisticated political system to rule Korea based on the Prussian model. Gregory Henderson (1968:Chap.4) has described its nature as

state was not merely a dictatorship but a military dictatorship, reflecting the strategic significance that Japan had attached to the Korean peninsula (Eckert, 1991;70). Since there was no representation of Korean interests in Japanese national policy formulation, the economic policy of the colonial period was always in line with the changing needs of Japan (Kim and Roemer, 1979:6-7). The economic policy of the colonial government was primarily directed towards developing Korea as a source of raw materials and as a market for Japanese manufactured products (Shikata, 1929:157-85).

In the Seoul of the 1910's, the two societies, whose physical urban forms were being juxtaposed in the early colonial city, were organized around two different systems of economic production, most simply described as 'industrial' and 'agricultural.' There was still a large population involved in agriculture although industrial occupations were rapidly growing in number. As a matter of fact, Japan's initial colonial policy was to increase agricultural production in Korea to meet Japan's growing need for rice (Choi, 1975: Chon, 1947). The colonial Government-General's economic policy was essentially an "Agriculture First Policy" ; relatively few measures for commerce and industry were taken by the government.

Japan begun to build large-scale industries in Korea in the 1930's as part of an empire-wide program of economic self-sufficiency and war preparation. Between 1939 and 1941, the manufacturing sector represented 29 percent of Korea's total economic production. The primary industries - agriculture, fishing, and forestry - occupied only 49.6 percent of total economic production during the period in contrast to having been

totalitarian in that it was harsher than any of its various European counterparts.

84.6 percent of total production between 1910 and 1912. When industrialization was in full swing, beginning in the early 1930's, the government's programs to aid businesses were mainly directed to benefit large factories supported by Japanese *zaibatsu*²³ capital, rather than local entrepreneurs. A prominent Japanese economist made the following comment on this problem (Takahashi, 1942:250).

We need to attract not only the giant industries from Japan, but also promote and encourage small and medium industries among the Koreans. Otherwise, we will have nasty and nationalistic labor disputes in the near future.....

Because of its strategic advantages in location, the rapid growth in industry and commerce soon made Seoul the locus of both political and economic power. Both factors stimulated population and economic growth in Seoul. A consequence of Japanese war preparation and the encouragement of Japanese *zaibatsu* investment resulted in a substantial expansion of heavy industries from 23 percent of factory product in 1930 to 50 percent in 1940 (Suh, 1983:100). According to Keijo (Seoul's Japanese name) Chamber of Commerce and Industry (1942:105), Seoul produced 41 percent of Korea's textiles, 42 percent of the machinery, 74 percent of the lumber, 47 percent of the printing, and 25 percent of the food products.

Employment stratification based on nationality was a sharp indicator of the extent

²³. The term *zaibatsu* has been defined as a "system of highly centralized family control through holding companies" (Yanaga, 1968:38). Its distinct structure ingeniously combined Western concepts of corporation and Japan's traditional values. In structuring its administrative system, the *zaibatsu* drew heavily on the distinctive Japanese concept of family that emphasized hierarchical, Confucian-based authoritarianism (Yoshino, 1976:5-6).

of Japanese control. About 97 percent of all gainfully employed Koreans (men and women) were laborers, while a matching percentage of Japanese were in top or middle level ownership or management, both in and out of government. About 71 percent of the Japanese population was urbanized as opposed to 11.5 percent of Korean natives. With increasing war efforts, the gap between the two nationalities steadily widened. Toward the end of colonial rule, the Japanese constituted the absolute ruling elite in politics and economics (Henderson, 1968:75), although Japanese residents were a minority in Seoul - comprising little more than 12 percent of the population at the time of the liberation in 1945. Therefore, the economic development which occurred under Japanese rule, brought little benefit to the Koreans. Virtually all industries were owned either by Japan-based operations or by Japanese corporations in Korea. In 1924, the Japanese dominated Seoul's industrial establishments both in number and in value of production. It was pointed out by the *Dong-A Ilbo* (daily news) (August 19, 1924) that Japanese manufacturers were mainly engaged in the production of machinery and chemistry which required large scale factories and advanced technology. Also, Japanese entrepreneurs were export-oriented, the newspaper pointed out, and were trying hard to improve their products to fit the tastes of foreign markets. The lack of export-oriented Korean entrepreneurs was lamented by the same newspaper. Table 3.4 was derived from data provided by the *Dong-A Ilbo* in a series of articles. Although there is no way of proving or disproving the accuracy of these data, national statistics comparing the relative position of Japanese and Korean entrepreneurs in the same period tended to support the general trend indicated in the newspaper data. At this time, both sources indicated the

relatively poor showing of Korean industrial entrepreneurs.

[Table 3.4] Comparison of Japanese and Korean Factories in Seoul (1924)

	Japanese	Korean
No. of Establishments	466(63%)	269(37%)
Building Area(in <i>Py'ong</i>)	64,086	6,429
Paid-up Capital(<i>Yen</i>)	44,686,857	18,685,047
No. of Workers	13,987	1,714
Gross Value of Production	37,860,452 (86%)	6,299,570(14%)

* equivalent to 3.95 square yards

Source: *Dong-A Ilbo* (Newspaper). August 20, 1924.

The Chamber of Commerce and Industry of Seoul,²⁴ in 1941, reported a significant increase in the number and production of Korean factories in Seoul. As for the nationality of the owners, 39.75 percent were owned by Japanese, while Koreans owned 59.06 percent. The remaining 1.19 percent was owned by foreigners. The evidence provided by the chamber clearly shows that, in comparison to the Japanese, Korean entrepreneurial activities increased more than proportionately in response to rising economic opportunities in Seoul. In terms of the number of factories owned by Koreans, the percentage increased from 37 percent of the total number in 1924 to 59 percent in 1939, completely reversing the superior position enjoyed by Japanese in 1924.

In terms of gross value of production, the achievement of the Korean

²⁴. In 1939, the Chamber of Commerce and Industry of Seoul conducted a survey of all industrial establishments in Seoul, and in 1941, published the book, *Keijo ni Okaru Kojo Chosa* (A study of industrial establishment in Seoul).

entrepreneurs is even more impressive. 42 percent of the gross value of factory production, in 1939, was attributed to Korean owned establishments, compared to 14 percent, in 1924 (Keijo Chamber of Commerce and Industry, 1941:68-69). Nevertheless, the figures still give an indication of Japanese capital. Moreover, industrial product was concentrated - a tendency toward oligopoly favored by the colonial administration - with a mere 1.2 percent of all firms producing 80 percent of all factory product in 1939.²⁵

Close ties with the Government-General were also essential to Korean business success. Most successful Korean businessmen were pro-Japanese and spoke Japanese fluently. They had extensive social and political connections with Japanese officials and businessmen through the joint with the Keijo Chamber of Commerce and Industry, and other meetings. Although most new businesses started by Korean were small-scale and not dependent on governmental approval, some large-scale projects required the firm support of the Government-General. In his autobiography, Han Sang-Yong (1941:205-210), the president of Hansong Bank in Seoul, tells of the help he got from a friend in obtaining a license from the Government-General to establish a life insurance company. He not only met the Governor-General and the lower functionaries in the colonial government, but also the prime minister of Japan to ask for official backing for the insurance company. The backing of this influential friend resulted in Han's obtaining monopoly rights to establish a life insurance company. He also enjoyed the use of the office facilities of the Government-General-controlled Rural Credit Cooperatives for

²⁵. Capital export to Korea was very profitable for Japanese business. Grajdanzev (1944:156) reports that textile corporations earned net profits of 50% in 1939-40.

carrying out his insurance business.

Housing and Land Development under Colonial Rule

The issues of housing was far from social concern until the beginning of the 1920's (Son, 1986:136-143). Housing conditions began to deteriorate with changes in colonial economic policies, such as the Program of Land Survey, the Planning for Promotion of Industrial Rise Production, and the Program of Land Ownership Expansion. All of these stimulated the increase of rural migration to urban areas and the Japanese immigration into Korea. By this time, *Dong-A Ilbo* (Dec. 12, 1921) reported the housing problem in Seoul with the title "Housing Supply To Lower Classes" - "Reside On The Road In The East Tonight And In The West Tomorrow Night." The housing problem in Seoul was not just limited to cave dwellers, rather it was much more serious for urban middle classes. The newspaper describes the situation as follows:

[6,00 Vagrants In Western Clothes]

According to the Kyongsong (Seoul) City Government's housing survey, among the salary men in public offices, public corporations, banks and other private offices within the city, 6,390 persons do not possess their own housing. Among the number, 725 live in official or private residences, 539 in inns, and 5,135 are homeless persons... The city government plans to construct 40 units in Yongsan area in this year, but such a plan is not enough to relieve the existing housing shortage in Seoul. The Seoul government is now suggesting the construction of residences for the employees of public and private institutions (*Dong-A Ilbo*, Dec. 12, 1921).

In 1930, furthermore, the Japanese government turned Korea into a weapon depot for a continental invasion (The Manchuria War in October, 1931) and forced an

industrialization policy, adding to rural-urban migration. During the two decades from 1925 to 1944, the number of households in Seoul became tripled (see Table 3.5). In accordance with the rapid increase of housing demand, many dwellings were supplied by private housing developers, but the housing problem remained, and moreover, it was exacerbated by the serious lack of construction materials at the end of colonial period.

[Table 3.5] Housing Trends in Seoul, 1925-1944

Years	No. of Dwellings	No. of Household	No. of Shortage	Rate of Shortage
1925	63,802	67,530	3,728	5.5%
1931	69,453	77,701	8,248	10.6%
1933	70,599	79,519	8,920	11.2%
1935	101,767	131,239	29,472	22.5%
1936	107,946	138,583	30,637	22.1%
1938	?	148,856		
1939	?	154,233		
1941	?	173,162		
1944	132,000	220,938	88,938	40.3%

Source: Chosen Government-General. *Chosen Annual Report*. Corresponding years.

Despite the fact that the housing problem was serious in Seoul as well as in other big or medium cities²⁶ throughout the whole colonial period, the General-Government

²⁶. According to both the newspaper survey, the author found that housing condition deteriorated over time in large cities such as Seoul, Pusan, P'yongyang, Taegu and Inch'on, and the problem even extended to small/medium cities such as Chinju, P'ohang and Wonsan. For example, the *Dong-A Ilbo* reported the housing deterioration in national major cities every week for a year since April 21, 1939.

never established a specific housing policy until the later 1930's. The reason was that although the housing problem was serious, as Table 3.6 shows, it was urgent problem for Korean, not Japanese.

With both the Sino-Japanese War in 1937, and the Pacific War in 1939, the Japanese colonial government had to construct many military-industrial complexes on the Korean peninsula and thus felt the importance of the enormous demand for housing by industrial employees. In the

[Table 3.6] Housing Distribution in Seoul, 1933

Nation-ality	Popula-tion	Househ-olds	No. of Housing	Short-age Housing	Short-age Rate
Korean	270,590	54,226	46,012	8,214	15.15%
Japane-se	106,782	24,388	23,719	669	2.75%
Foreig-ner	5,119	905	868	37	4.1%
Total	382,491	79,519	70,599	8,920	11.2%

Source: *Kyongsong Nippo. Chosen Annual Report. 1935.*

Consultation Meeting on Current Affairs on Oct. 6, 1938, the government first officially talked about the housing problem in Korea. The major plans decided were following:

1. An increase in public housing
2. The establishment of the status of the housing and tenement union
3. An improvement and increase of small houses for laborers
4. The establishment of the status for the squatter improvement.

First of all, the colonial government used land readjustment techniques in order

to obtain housing sites. The Land Readjustment Project - which originated from the Law Concerning Land Transfer (*Lex Addicks*) adopted by Frank-am-Main Land Readjustment Act in Germany in 1902 to consolidate fragmented agricultural land holdings (Doebele, 1979) - is a method of converting land from non-urban use, using site planning, and the installation of infrastructure and public facilities for urban use of land.²⁷ The objective of the Project in Germany was not only to reapportion land holdings but also to sell off some of the land to provide capital for the construction of the roads and public facilities that were required for the sale as a whole.

Despite the inherent attractiveness of land readjustment to both landowners and local authorities where considerable capital gain was associated with development, the techniques were not extensively used for urban development in Germany. However, the basic ideas were picked up by Japanese planners at the end of the First World War and incorporated into legislation designed to control urban development. The Land Readjustment Project (LRP) in Japan began with The Act of Cultivated Land, which was used as the official instrument for urban housing site adjustment with the rapid increase in the demand of land for factories and housing following the rise and development of

²⁷. Historically, public urban renewal is similar with the land readjustment in that it "has usually taken the form of developing new areas outside the cities, rather than reconstructing obsolescent areas within them" (Doxiadis, 1966:15). However, within the Korean context, the concepts are different in that the former only aims to reshape the existing urban configurations, while the latter focuses on developing new urban areas, by converting rural lands into the urban sphere. The most distinctive characteristic of land readjustment is that it does not place any substantial financial burden on the part of the developers (usually local governments). At present, use of the LRP is practiced in Germany, Korea, Japan, Australia, Canada, Tiwan, and Hawaii in the United States. Its methods and procedures, however, differ from country to country (Archer, 1985).

capitalism at the end of the nineteenth century in Japan (Kim, 1985:307). But an epoch-making opportunity in the establishment of the LRP was the renewal project for the rehabilitation of the Tokyo metropolitan areas destroyed by the great earthquake in 1923. Thereafter, the LRP was introduced to both Korea and Taiwan. In Korea, since it was first enforced in Seoul, in 1928, it has been used as one of the important tools for urban development until now (Hwang, 1985:368-69). Kyongsong Urban Replanning Report, in 1928, shows that the five old central districts of Seoul and the underdeveloped peripheral areas of the city were planned by the land readjustment technique (Kim, 1985:309). The LRP at that time was interpreted in a broad sense, which includes simultaneously redevelopment of the old districts, like the urban renewal project today.

The housing policy of the colonial government was closely related to island Japan's insular war policy. The Japanese urban scholar, Tosida (1975:231-32) effectively notes that the Japanese government began to regard housing as labor power's maintenance and a means of its reproduction throughout the Sino-Japanese War period. At this time, the Japanese government strongly emphasized the need of housing for laborers so as to increase the production of military equipments. There was no exception in its colony, the Korean peninsula. It was natural to use the Korean peninsula as a supply base for the war because Korea was located near the battlefield, mainland China. With the accomplishment of the Electric Network Plan after 1931, an abundant and cheap supply of electric power on the Korean peninsula promoted the penetration of Japanese *zaibatus* into the country (Kobayasi, 1965:79-85), which increased the housing demand

by urban laborers.

The Japanese government's motive by using housing policy as the instrument for the maintenance and preservation of labor power, was to change the classical economic view that housing is just one of the durable consumer goods such as clothes or furniture. By this time, Japanese scholar Kamamodo (1938:78) in the journal, *Social Policy Review* writes as follows:

"Housing is absolutely short in Japan today. Low-income housing is especially true... Laborers reproduce their own labor power by consuming the living materials in each household. Accordingly, housing for laborers is a place where they can maintain and preserve their own labor power, and by doing so, stimulate its reproduction."

The colonial government established the Housing Committee composed of each director of bureaus within the General-Government on by Imperial Ordinance No. 38, July 12, 1939.²⁸ However, the committee never held a meeting during the next three months. Rather, the Japanese government took actions which exacerbated the housing problem by announcing the Regulation Act of Land and Housing Rent by the Japanese Royal Ordinance 704. The Act states that further increases of land and housing rent were frozen. This Act, together with other acts such as the Price Control Act (the Ordinance No. 703), and the Temporary Measure Act of Wage (the Ordinance No. 705), was to control price and curb inflation during the war period (Yamauchi, 1964:19-172). Nevertheless, all the prices continued to go up, and even essentials were marketed by an

²⁸. The Official Gazette 3742, July 12, 1939 and the Official Gazette 3743, July 13, 1939.

underground economy. To add to the economic recession, a shortage of building materials prevented the construction of the private rental houses.

In this economic recession, the active intervention of the colonial government was immediate. As an alternative for promoting housing development, the colonial government created the Chosen Housing Corporation (CHC) on June 14, 1941 (KNHC, 1991:53-54). The CHC was directly influenced by the Japanese Housing Corporation established on March 6, 1941, in order to solve the serious housing problems at that time.²⁹ The foremost work of the CHC was the acquisition of housing sites. The Government-General conducted the "idle-land" survey throughout major cities in Korea, and found that the idle-land of Seoul was 720,000 *p'yong* (equivalent to about 70 acres). The government hoped to purchase this land to build more houses. The first target areas of purchase were Simdaebang-jong (Daebang-dong and Sinkil-dong in today), Dorim-jong (Moonrae-dong), and Sangdo-jong (Sangdo-dong) in which the land readjustment works were already completed. Through a provisional contract with those who possessed the idle-land, the CHC first developed housing lots in those areas in Korea (Korea Housing Corporation, 1991:61). The development of these housing lots was also the first planned project which was developed for the purpose of "housing land business" based on the Government-General Ordinance No. 13.

²⁹. Japan had been on the road to modernization since the 1860's with the Meiji Renovation, but the government was indifferent on housing policy and largely depended on the private developers for the housing supply. For example, in 1941, 79.5% of the total housing units was the rental housing by the private developers, 1.8% was the granted housing such as the official residence or company house, and the persons who possessed their own houses was only 22.3% (Ueno, 1958:74).

By 1942, the CHC constructed 500 houses in Dorim Complexes, 1,000 houses in Sangdo Complexes and 500 houses in Simdaebang Complexes.³⁰ Clarence Perry's (1939) neighborhood unit was first introduced in these new complexes. Useful facilities, such as hospitals, public baths, and shops in every block were located within the complexes. This method was used as an effective mechanism for reproducing and protecting the labor power, and for controlling and drafting Koreans during war time period. The Government-General intended to construct the housing style which added a Korean style home to a regular Japanese style home: only one room was indeed built with the Korean under-floor heating system which is congenial to the Korean people's living condition. By doing so, the government advertized its intention of assimilation even in the housing production.

In the process of land acquisition, the government was not in serious conflict with native Koreans. With the reorganization of land ownership in 1915, a large portion of the idle-land in urban areas was already transformed to Japanese possession or colonial government property. In fact, the process of urban renewal and municipal district reform in Seoul, from 1912 to 1927, was a bitter experience for the colonial government because of the readjustment work compensation. According to the Kyongsong Town Replanning Report, for example, the total expenditure during the period was 11,250,000 *won* (the Korean unit of currency) and 64 percent of this amount, 7,170,000 *won* was disbursed in the name of land compensation (Kyongsong-pu, 1934:251-255). Although the exact

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acreage is unclear, according to newspaper, governmental officers and persons of that time, if government property is included, the Japanese may have controlled more than two-third of the land.³¹

Most projects of district improvement from 1913 to 1930 in Seoul were largely focused on Namch'on (the south village), the Japanese residential area in Yongsan (Son, 1989:158), located near the Han River. The early Japanese immigrants followed the Han River system which was the most important transportation route for shipping agricultural products and commodities to their home country. For this purpose, by 1913 the Japanese colonial government extended Seoul's built-up area to Yongsan south of the city, and this area was laid out by modern city planning. Afterwards, the Japanese population increased rapidly in the city. Most Japanese residents lived in segregated residential areas in the city, and their children attended segregated elementary and middle schools. They constituted a separate social system, not a part of an integrated biracial social system. As a consequence, public facilities, roads, housing, and other living conditions in Pukch'on (the north village) deteriorated compared with Namch'on. This poor development of Pukch'on became the target of the resistance and attack from many Korean intellectual classes. The Government-General thus felt the necessity to consider a counterplan for Pukch'on and thought that the LRP was the most rational approach because it could be accomplished at a minimum public expenditure. The most important task of the land

³¹. This numerical value is also found in Lee and Kim's work, *Suja Chosen Yon'gu*. Based on a few materials about the announce of the Chosen Municipal District Planning Act, they estimate that the rate of Korean land-ownership in the major cities was 42% in Seoul, 38% in P'yongyang, 23% in Taegu, 25% in Pusan, and 22% in Inch'on (1987:97-99).

adjustment was to secure as much land as possible for public facilities after applying the *chongbo*³² reduction rate of land for landowners within the target areas. The institution of this area was aimed at securing land to substitute for the cost of construction work among the *chongbo* left after reducing the land for public facilities (The Land Adjustment Act of 1975, Article 54). In this respect, the LRP under colonial rule was different from the present system as will be discussed in detail in a later chapter. Meaning that, the Government-General usurped 20-35 percent of the capital gain from every landowners in the name of the land adjustment. Most importantly, the reduction rate was only to obtain the land gratuitously for public facilities and never included the substitutive land for construction cost. Instead, the authority appropriated the beneficial rates for the work. The Kyongsung Street Subdivision Ordinance obviously shows the benefit principle system which was introduced from the Japanese Act:

(Article 48) The public authorities for the LRP could appropriate the total or limited costs for the work to the landowners within the work target areas under the control of the Government-General.

When the LRP was almost completed, the landowners began to sell their lands. In the process of transfer and acquisition of the lands, the government created The Land Advice Office (LAO) in the Department of Urban Planning, and gave the office the authority to play the role of real estate agent. According to Youn Sang Hoon, who was the vice director of the General Affairs in Kyongsung City Government in that time, "one

³². *Chongbo* is an acreage unit and it is equivalent to hectare. One *chongbo* estimates 9,917.4 square meters while one hectare does 10,000 square meters.

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of the most important roles of the LAO was to decide a conventional price which was lower than the market land-price in its day" (interview, June 29, 1993, Seoul). In spite of the grand advertisements and public lectures, however, actual land transactions were minimal. Moreover, the economic recession added to the transaction difficulties for citizens. Under this slack land market, the only customer was The Chosen Housing Corporation established in 1941. By this time, the CHC planned to secure housing sites for future use and purchased an enormous number of housing sites at the low prices. Many of these sites were transferred to the Chosen Housing Administration after the 1945 Liberation.

From 1941 to 1942, the CHC constructed 2,511 houses in Seoul. Most of them were sold to the Japanese or to pro-Japanese groups. Although its percentage of the market was not clear, some rental housing was supplied to the Korean tenants on the condition of changing their Korean name to a Japanese one (*Dong-A Ilbo*, May 21, 1943). In spite of the increase of the state-directed housing, therefore, the number of tenants, as opposed to owners increased markedly. Of all the Korean households in Seoul, pure tenants accounted for 42 percent in 1938, and for 52 percent by 1942. Rental housing was not preferred by the Koreans. Most of the rental housings were provided for the Japanese or the pro-Japanese classes who were effectively alliance with the colonial power. At any rate, this project was not only the first undertaking of the CHC but also the first planned housing development project by the Chosen Municipal District Planning Act of 1934 in the history of Korean urban development.

THE LOGIC OF COLONIAL URBAN DEVELOPMENT

The manner in which the urban structure of Seoul was shaped during the colonial period furnishes clues, not only to the nature of early urban development, but to the character of colonial life in larger terms. In the end of nineteenth century, foreign penetration of the Korean Peninsula proved to be irresistible, and the Japanese emerged as the dominant economic force. This is not to suggest that economic gain was the primary motivation behind the Japanese imperialist thrust into Korea. Indeed, it seems quite clear that, initially at least, Japanese interest in Korea was more political and strategic rather than economic (Conroy, 1960:441-491).

Previously, there were various schools of thought regarding how to define Korea's relationship to Japan.³³ Given present evidence, there can be little doubt that Korea was a colony under dictatorial Japanese rule and the country was developed, not as an autonomous unit, but as part of the Japanese empire. The changes in urban Korea during this period closely reflect Japanese colonial policy, which was deliberately planned and effectively carried out by the imperial regime. Compelling evidence of Korea's colonial character is that 'the military-bureaucratic power'³⁴ of the Government-General occupied

³³. According to Paul Reinsch's book, *Colonial Government*, Sir George Cornwall Lewis distinguishes a "colony" from a "dependency" on the grounds that the latter is more inclusive than the former. Such a distinction may have some geographical significance, but in the political and economic realm the terms are practically indistinguishable.

³⁴. This can be inferred from the fact that the Governor-General was appointed directly by the Crown from army or navy officers to command the forces in defense of Japan and to exercise supreme control over the administration. He was authorized to

outstanding positions in every walk of life. Its ultimate objective was to maximize the benefits which would accrue either directly or indirectly to Japan (McCune, 1967:30). Although colonial urban planning of Korean cities also contributed to the growth of these cities as independent entities, Koreans did not share in the direction of this development.

The main logic in the impact of colonialism on urbanization would be one of dominance-dependence where the ultimate source of social, economic, and political power rests in the colonizing metropolitan society, with physical force being the ultimate sanction in the colonized society. As described in the previous section, during the first two decades of colonial rule, Japan saw Korea mainly as a source of agricultural products which could be exported to Japan, and most of the investment went into agricultural development and the construction of transportation facilities necessary to get farm produce to ports, particularly, Pusan and Inch'on.

Consequently, urban growth was relatively slow in the early colonial period. It is this kind of phenomenon which Castells (1972), had in mind with his concept of 'dependent urbanization.' Meaning that, urbanization was taking place in Korean colonial society but industrialization, which historically has generated urbanization in modern, politically autonomous societies, was taking place within the context of Japanese metropolitan society. At this point, colonized Seoul was dependent on the metropolitan Japan. One progressive result of this was that the Japanese colonial government not only

memorialize the Throne and receive the Imperial Sanction through the Prime Minister, and to issue general ordinances in virtue of his delegated or discretionary power. In practice the Governor-General was the lawgiver, the chief executive, the commander-in-chief of army and navy, and the highest tribunal (See Chen, 1984:259; Chung, 1921:61).

used Seoul as its political and economic administrative center, but also used it as a base for military expansion and the economic exploitation of Korea. The colonial government's most powerful intervention in the development of Seoul came through the construction of railways and the train station. Development of the infrastructures in the city was financed by direct appropriations from Japan and by transfer of surpluses extracted from rural Korean peasant producers. The extraction of surplus was carried out not by large capitalists but by colonial bureaucrats (Koo, 1987; Jones and Sakong, 1980). The directive and often authoritarian role of the Japanese administration was played as the largest entrepreneur in Korea, and a large portion of the surplus from various sources was annually reinvested into the Japanese government enterprises in heavy industry for war preparation.

In a similar context, the economic structure of urban Korea was being changed through the influence of Japanese entrepreneurs and the imperialist activity of the Japanese government. Predominantly manual manufacturing activities gradually became factory-directed. A uniform and centralized monetary and banking system was established. The major cities were rebuilt and new cities were further developed with the aid of the development of new systems of transportation and communication. However, as Chang Yunsik (1966:291-300) has argued, most of Korean cities were developed in response to the new industrial requirements of the Japanese expansionist movement of the late 1930's. Moreover, the manufacturing growth which occurred under colonial rule was determined by the requirements of Japanese industrialization rather than Korean needs. The contemporary observer George McCune (1950:37) commented (well before

dependency theory had appeared).

The Korean economy was Japanese-owned and Japanese-directed and in no sense an entity in and of itself, but rather the geographical location of a portion of the wider configuration of the economy of Japan.

The colonial administration carefully controlled capital investment in Korea, through the *zaibatsu* and the Japanese Overseas Department. This policy was aimed at creating the Korean economy's total dependency on Japan. The Japanese owned 90 percent of the total paid-up capital of all corporations in Seoul in 1938 and 85 percent of all manufacturing and industrial facilities in 1944, as well as, controlling all major banking, insurance, and so on. Korean capital was limited in most industrial sectors and confined to small-scale industry.³⁵ If there was any indigenous influence on the city's economic achievement, it was made possible by an effective coalition with the colonial ruling power groups including government elites and Japanese capitalists. Accordingly, local entrepreneurs had to gain the support and recognition of the state ministries and state-controlled financial institutions to survive and compete with their Japanese counterparts. The close working ties they formed with the strong colonial state defined business-state relations, as the several studies of major local entrepreneurs has documented (McNamara, 1990; Cumings, 1985; Kang, 1980; Cho, 1973a). The Japanese government also foisted upon Koreans an ideology of incorporation emphasizing a structural family principle and an ethical filiality. This influence remains strong. As

³⁵. "... it was the Japanese who constituted almost the entire middle and upper classes of Chosen" (Henderson, 1968:97).

Korea industrialized in the postwar period, she has fostered *zabiatsu*-like conglomerates, with extensive family interpenetration, and ideologies of familial hierarchy and filial loyalty (the "New Spirit" movement in the 1970's South Korea, a corporate familism in North Korea) (Cumings, 1987:56).

Immediately after the official annexation, the colonial government implemented the Land Project to establish a modern, private, land owning system. This was crucial for control of the Korean economy (Chang, 1971:168). After the Project was completed, the Japanese government overtook many of the land titles and allowed big Japanese land companies and commercial capitalists to use them (Juhn, 1965:130). At the same time a good many Yangban remained at the top of Korean society as land owners, and willingly or unwillingly, cooperated with the Japanese authorities. Forms of political coalition by Korean indigenous elites were more salient within the structure of the colonial administration, such as through the Central Advisory Council (Chungch'uwon)³⁶ advisors, or provincial governors.

From this point of view, it may be noted that the coalition between the colonial state, Japanese capitalists, and the pro-Japanese clique including both the indigenous aristocratic Yangban and new entrepreneurial class, played a central role in the early colonial urban process.³⁷ Nevertheless, Korean entrepreneurs faced difficulties in

³⁶. In this time, the council's primary purpose was to reward with sinecure some seventy former pro-Japanese high officials of Korea.

³⁷. The colonial Korean society during the colonial period marked the decline of the Yangban class as a ruling and privileged entity with the disappearance of the traditional class. But it is not doubtful that some members of the formal Yangban class, especially the pro-Japanese groups, became social leaders and leading commercial and

gaining support from the colonial state. The few who gained its favor were then able to gain extensive support for various urban infrastructure projects, again contributing to concentration of capital among a few established local entrepreneurs (Eckert, 1986:121-30). In fact, some business elites won at least a consultative role in policy making in Seoul's economy through participation on the boards of larger Japanese combines, or *zaibatsu*, prominence in business-policy associations, and their position in the local economy as corporate owners. For example, Pak Yong Hyo, a director of the Chosen Bank, and Pak Yong Chol, a vice-president of Oriental Development Company, played prominent roles in the middle decades of Japanese rule as advisors and consultants (McNamara, 1990:114-125).

The colonial state was the critical actor in the coalition. During Japanese rule, the colonial government abolished the existing feudal class distinctions and subordinated all classes to the colonial state bureaucracy. This pattern persisted into the post-independence period, and provided a model for state-directed development in South Korea, based on the political culture - such as strong centralism and authoritarianism inherited from the colonial period (Cumings, 1987:54; Koo, 1987:170).

There was no possibility, however, of a return to pre-colonial Korea. Japanese colonialism had introduced capitalist social relations on a wide scale, it had destroyed the traditional legitimacy of the landlord-tenant relationship in the popular consciousness and had ruined the authority of the old aristocratic ruling class. The Korean people began to accept such concepts as capitalism and entrepreneurship as important ingredients for

industrial enterprises in leading the Korean economy at that time.

economic improvement. As a result, in many ways, concepts and the way of life of the people became non-traditional as they maintained a delicate balance between traditional and modernity. Urban Korea had irreversibly entered a period of profound change.

The major line of colonial urban planning in Korea was often focused by capitalist theories, considering housing and land development as an instrument of reproducing labor forces for the effective achievement of the imperial Japanese government's political goal. This follows Castells' argument that capital's interest in "reproducing labor power" provides the motive for state intervention in the field of urban planning (Castells, 1977:431). Nevertheless, the role of the government is particularly important because of its control over the patterns and conditions of provision of 'collective consumption' like housing and land. This logic also directed the Land Readjustment Project for housing site development by the colonial government. The Japanese scholar, Nishiyama (1978:109) criticized that "the land readjustment approach is used as the cheap instrument of urban development through which the lands for public facilities were obtained not by direct purchase but free of charge from the powerless Korean landowners." It was also used to decrease the Korean's resistance derived from the uneven development between the Korean village, Pukch'on, and the Japanese village, Namch'on. As a matter of fact, the LRP in Korea has been understood in two ways: one, the increase of its effectiveness as the development of housing land, two, the improvement of urban infrastructures or public facilities (The Land Adjustment Act, Article 2 in 1966). The former is to improve the inhabitants' welfare and the latter is used as an instrument for usurped land without its compensation as discussed in the

previous section.

One important force in its successful implementation on the LRP in terms of the colonial government was in simplifying policy making by reducing red tape at the national level. The LRP, during the colonial period, was a firm and powerful state-directed program in which state power completely blocked the power of private developers or corporations. Based on the concept of centralized government power, the government-directed land readjustment work under colonial rule was succeeded by, and developed into, the popular instrument for urban development under the post-independence authoritarian government. Most of the LRPs today, big projects in particular, have been implemented by the public authorities such as local governments, Korea National Housing Corporation, or Korea Land Development Corporation.³⁸

The colonial heritage was largely maintained even after independence, and recognition of the basic and lasting changes under the colonial rule in the direction of capitalistic concepts of urban development, as well as modernization are a first step in the intellectual exploration. In particular, the zeal for rapid national economic development of post-independence Korea has called for a large measure of centralized planning and government interventionism. As Eckert (1991:255-256) notes, the model shared a number of elements with its contemporary Japanese archetype: the pivotal economic function of the state, the concentration of private economic power in the hands of a small number of large business groups or *chaebol* (*zaibatsu*), and the emphasis on

³⁸. Based on a few materials from the Department of Urban Planning in the Ministry of Construction, among 395 land adjustment works until 1985 since colonial period, only 70 programs have been implemented by private corporations.

exports. It is by no means an exaggeration to say that this political and ideological factor has contributed to a certain imbalance between urban and rural areas, and has accelerated urbanization in the post-independence Korean society, as shall be discussed in next chapter.

CHAPTER FOUR _____

Postindependence Growth and Development Toward Industrial City: 1950's-1980's

The change over from Japanese colonial government to American military government in 1945 transformed, Kyongsung, a colonial local city, into Seoul, which means the capital in Korean. The city then was upgraded to a "Special City" under the Military Government Ordinance No. 106.¹ Under the Special Act Regarding the Capital enacted with the establishment of Park's military regime in 1962, the Seoul city government was removed from the supervision of the Ministry of Home Affairs and made subject to the direct control of the Prime Minister.

On the eve of independence, the transformation of Seoul from a purely administrative town into an industrial center was just beginning. The conversion into a major player in world markets was accelerated a great deal through the rapid industrialization and urbanization during the last three decades. Seoul continues to be a magnet for migrants, as it has for nearly all its history, although migration has recently decreased due to overcrowding and high land costs.

Government efforts to modernize Korea *via* industrialization have played a primary role in the strong economic growth. Since the Liberation of 1945 and the Korean War (1950-53), Seoul experienced rapid growth with a population of about one million

¹. This elevation implies the Seoul's political status as the capital of an independent nation, Korea.

in 1945, expanding to over ten million in 1987. In particular, the period from 1960's to 1980's, was marked by an accelerated pace of urbanization fueled by state investment, and promoting policies of economic growth. However, the post-war urbanization cannot be discussed without considering the rapid expansion of manufacturing that absorbed the cheap labor of rural migrants. In Korea, urbanization and industrialization have been highly correlated (see Table 4.1).

[Table 4.1] Urbanization and Industrialization

Year	Urbanization Level(A)	Industrialization Level(B)	Difference (A-B)
1966	42.1	42.1	0.0
1970	49.8	49.6	0.2
1980	66.7	66.0	0.7
1985	73.8	75.1	-1.3

* The industrialization level means the ratio of manufacturing and service sector employment to national total employment.

Source: Korea Economic Planning Board (KEPB). *Major Statistics of Korean Economy*. 1986:45.

In this chapter, the focus is on how Korea reacted on the international and national levels to the urbanization process in Seoul during this period of time. The present study seeks to demonstrate the concept that government is biased toward its nation's capital and the other large cities by promoting unusually rapid population growth.

The issue of rapid urbanization has taken on national significance in most developing countries. Governments and scholars alike have paid great attention to the

phenomenon of demographic giantism in recent patterns of city growth. Cities are dependent on external economic forces and governmental programs, therefore, the evolution of city growth reveals much about the characters of the national economy and politics. In this context, this chapter begins by reviewing the macro- patterns of political and economic changes of South Korea during the newly independent and stable authoritarian era.

The authoritarian regime period from 1961 to 1987, in particular, illustrates the significant impact that this form of government had on the urban development policy. During this period, the new Korean state had the potential to exercise several more "degrees of freedom" in organizing its relationship between Japan, its former colonizer, and the rest of advanced capitalist world than it did as a colony. The Korean state, and the bureaucratic elites that controlled it, had the opportunity to loosen some of the bonds of dependency and set their own ideological/policy agenda. This period allows the researcher a chance to focus on the view that rapid urbanization, which promoted the concentration of urban development in Seoul, was actually the outcome of overt and covert policies of Korean government. It also emphasizes the rapid economic development driven by the interplay between the political and economic forces which were strongly mediated and channeled by the authoritarian Korean state. The chapter then turns to a more micro-analysis to assess the effect of this system on the spatial evolution process in Seoul from the early 1950's. Specifically, it examines changes in population trends, urban physical structure, and economic structure with regard to the enormous agglomerations of the city. The transformation from a traditional city to a modern one

has brought problems of a new variety to Seoul. Among these issues, land use and housing problems, and the resultant intra-regional uneven residential development will be explored in the subsequent chapter.

THE STRONG STATE, NATIONAL DEVELOPMENT, AND URBANIZATION

While starting from a level similar to other less developed countries in the late 1940's, by 1985, Korea had achieved a per capita GNP of \$2,560, placing it well above the average of \$1,850 for "upper-middle-income countries" according to the *World Development Report* (World Bank, 1987). For the quarter century since the 1960's, Korea's economic experience is interesting because it directly refutes some of the famous hypotheses in development literature. One of those hypotheses states that economic development is impeded by scarce resources, high population density, and colonial legacy.

To begin with, Korea is a country almost devoid of natural resources other than the land itself. There is almost no mineral deposits, save for a small amount of coal. The other resources which remained were devastated by an unusually cruel colonial rule of Japan. Also, Korea does not have as much arable land per person as most of the other developing countries. She has a population density four times more than that of China and twice more than that of India. It is even 25 percent higher than Japan. Nevertheless, it is well known that the Korean economy has achieved remarkable growth in the last

three decades. By changing from an import-substitution economy to export-led strategy, the Korean economy experienced rapid industrialization, particularly since the early sixties.

The question remains, how have the Koreans been able to attain these achievements? First of all, the Korean government has always had a strong hand in economic policy making. Growing disenchantment with the past performance of less developed countries has led to some scholars advocating more planning and government intervention, and others to recommend a diminished role for government.² Although some Western writers have often been inclined to apply somewhat abstract models to the South Korean case - most notably the "power vortex" conception of Henderson (1968) and the Weberian patrimonial model of Jacobs (1985) - many comparativists have debated the applicability of the "strong state" or "state autonomy" theory in explaining the rapid economic development of contemporary South Korea (Gereffi & Wyman, 1989; Moon, 1988; Cumings, 1987; Koo, 1987). In particular, most scholars focus on the President Park's "strong state" or the policies pursued. By the mid 1960's, South Korea possessed strong state that compares favorably to the prewar Japanese model, and to the bureaucratic-authoritarian states in Latin America³ (Cumings, 1987:71).

². For a discussion of pros and cons on this issue and a list of relevant works, see Chapter XII, "Development Planning and Policy Making," in *Leading Issues in Economic Development* edited by Gerald M. Meier, 1976.

³. Nevertheless, the position of the Korean state is different from that of Latin America in the various aspects as follows : (1) state's strength vis-a-vis internal social class; (2) the high degree of efficiency and discipline found in the state bureaucracy; (3) the ideological homogeneity among the state managers and technocrats; (4) the much stronger triple alliance -among state, foreign capital, and local capital - then

For many writers, the role of the state, and of state bureaucracies, has been considered as a significant method to understanding the processes which contributed to the emergence of political authoritarianism as an accompaniment to (dependent) economic development in newly emerging states (Evans, 1979; Cardoso, 1973; O'Donnell, 1973). Ironically, the Korean state was "born strong." Built around an inheritance of a highly developed state apparatus from the Japanese colonial bureaucracy, backed by the U.S. military and political support,⁴ and freed of rural challenges by land reform measures, the establishment of the Republic of Korea by Rhee Sung-Man was formally declared on August 15, 1948. Korea represented a new state standing for free democracy and capitalism. South Korea possessed also great administrative and coercive capacity.⁵

It was not, however, attuned to economic development. President Rhee saw the weakness of his ruling coalition, and compromised state autonomy and capacity by

those of Latin American states; and (5) the absent of an entrenched agrarian dominant class and comprador commercial class (Koo, 1987; Gold, 1986; Lim, 1985).

⁴. with regard to the state-making of South Korea under the U.S. occupation during the period of 1948-50, the destruction of the political left in South Korean politics by the U.S. military authorities was one of the most significant moves toward the growth of the developmental state in the next generation. The ideological competition between Right and Left in Korea after the Liberation of 1945 was the most critical factor for the political and social turbulence. In particular, workers' unions and peasant organizations that were affiliated with the proclaimed Marxist government in Seoul mushroomed across the nation, and decentralized People's Committees were about to replace the colonial rule and administration (Juhn, 1991:116-125).

⁵. In order to maintain his strong government, President Rhee first dominated the police and administrative organization which were the strong public institutions inherited from the colonial political culture. The two organizations exerted a remarkable influence throughout the country under highly centralized system and took a threatening attitude to the people. As a result, they played the dominant role in cutting opposition party's demands and public opinions.

building a pervasive system of patronage requiring constant manipulation of the economy for political ends (Yang, 1990; Han, 1974). As a consequence, GNP growth dropped, Rhee's coalition unraveled, public opposition increased, and finally student riots forced Rhee to step down from office in February, 1960.

The 1960 "students' revolution" for democracy, national independence, reunification, and social justice led to the short lived Chang Myon government (Lee, 1968). The middle class's concern with the new government's sympathetic stand on student demands led the United States and Japan to back its violent overthrow by Park Chung Hee's military coup in 1961. This episode marked a new beginning for Korea, one which did not end until the death of Park in the hands of his own security force, the KCIA chief, in 1979. The subsequent power vacuum and the democratic activities of the middle classes led to another military takeover in 1980. Chon Do Hwan's regime, however, did not introduce any major policy reversal. On the contrary, it expanded and strengthened the existing laws and policies particularly those directly concerning profitability of the export sector and foreign capital (Shorrock, 1986:1120-25).

The military coup by Park and his officers in 1961 opened a new chapter in state power, as well as in economic development after the import-substitution strategy of the 1950's encountered considerable difficulties. The new political leadership unconstitutionally assumed state power *ex post facto*, through an ambitious economic development project. During the early 1960's, the U.S. government shared with the Korean military a strong commitment to economic development in Korea (Cole and

Lyman, 1971).⁶ Subsequently, in 1965, Park's regime announced a major policy reversal from import-substitution to export-promotion industrialization. The result gave the incumbent president another term in the 1967 election. President Park had a landslide victory with a margin of one million votes. Even in Seoul, the traditional stronghold of opposition to the current government, he drew 45.2 percent of the votes, comparing with 31.7 percent in the 1963 election (*Dong-A Ilbo*, May 1, 1971). A report in the *New York Times* of May 5, 1967 reached to the conclusion that "many of the country's intellectual leaders whose kind has traditionally been in opposition to whatever regime held power for centuries past, came to the support of somber-bowed president," while quoting the remarks of an urban intellectual who expressed that "I voted for Yun (a principal opponent to Mr. Park) when he ran against Park." The *Times* commented conclusively that President Park's overwhelming victory was interpreted as a popular response to politics which had produced spectacular advances in the Korean economy.

The Park government's economic strategy was successful and Korea was able, due to its new found economic strength, to shift its relation with developed countries from "dependent" to "interdependent" (Kim, 1993:13). The annual growth rate accelerated to 8 percent or more from the early 1960's to the end of the 1970's. The rapid industrialization was accompanied by a steady increase of manufacturing in total output in inverse proportion to that of agriculture. The contribution of manufacturing to economic growth range from 12.7 percent to 60.4. The share of manufacturing in exports

⁶. In fact, toward the end of the 1950's, U.S. economic aid to the politically corrupt and economically inert Rhee government had been reaching its limit.

grew from 27.0 percent to 90.1. In employment structure, the size of the labor force engaged in manufacturing nearly tripled from 1961 to 1979.

According to Haggard and Moon (1989), a number of factors made export-promotion industrialization under the Park regime possible. The most important of these has been the fact that the political system was sufficiently insulated from adverse pressures and forces to facilitate centralized policy-making by bureaucrats. Behind the changes in economic policy, there existed an authoritarian and highly centralized government whose primary goal has been the acceleration of economic growth. The new Constitution of 1962 gave concentrated power to the executive branch of a highly centralized regime. The Demographic Republican Party government under President Park forcefully propelled an economic development policy, which had the support of the people. The regime, though increasingly authoritarian, brought political stability to the South Korea, which is a necessary, though not sufficient, condition of economic growth in any country. Moreover, President Park amended the Constitution and enforced the *yusin* system in order to maintain long-term political power throughout one-man dictatorship in 1972. The imposition of a new constitution (the *yusin* regime)⁷ contributed to strengthening the state's power much more on the pretext of preserving the accomplishments of economic development and the continuation of a high rate of

⁷. According to the principal traits of bureaucratic-authoritarian (BA) regime characterized by O'Donnel (1973), the *yusin* regime has some traits similar to those found in the BA regimes of Brazil, Argentina, and Chile. That is, the popular sector was politically excluded; competitive elections were abolished; strikes were prohibited; the organization of labor unions was severely restricted; and the primary focus of economic policy was on overall economic growth at the expense of labors and lower classes.

economic growth.⁸

The authoritarian Korean government maintained an extraordinary degree of political and social stability, in the sense that its announced purposes and policies were not subject to serious and organized efforts to oppose them. The government was able to initiate policy changes, and implemented them in ways that would be difficult or impossible for a more democratic government to do. According to Mason and his colleagues (1980:484), the Korean government where the decision-making process is in relatively few hands had more developmental advantages than disadvantages. In Korea, highly profitable and dynamic groups of private enterprises operated under a comprehensive system of government direction but there is no question who called the tune; it was and is the government (Mason et al., 1980:484).

Park's authoritarian regime made the state the main agent of economic development and the pivot for the tri-partite political/economic alliance between the government, "*chaebols*" (family-run conglomerates), and foreign capital⁹ (Shorrock,

⁸. The Korean economy showed a slight downturn from the peak rate of economic growth in 1969 (13.8% GNP growth). The growth in 1970, 1971, and 1972 was 7.6%, 9.4%, and 5.8%, respectively. Nevertheless, the evening of growth should not be interpreted as a crisis in the economy but rather as the stabilization of economic growth. The growth rate in this "recession period" was relatively high compared to the rate of both the advanced industrialized countries and the developing countries. This is the situation that the BA regime in South Korea developed differently from those founded in Latin America (Lim, 1987:240).

⁹. Korea's position in the world economic system is most intimately connected to two industrial nations, the United States and Japan. In 1978, Korea depend on these two countries for about 53% of its total export and 60% of its imports; these two countries accounted for 77% of total foreign investment in the period of 1962-1978 (KEPB, 1979:233).

1986). National development planning was introduced in 1962, and since that time Korea implemented six five-year development plans. By the mid 1960's, in particular, the economic reform policies by a transnational alliance of U.S. aid officials and Western-trained local bureaucrats encouraged specialization on the basis of the export of labor-intensive manufactures. The massive direct government investments and various financial, fiscal, and administrative incentives for the private sector have all been included in the national plans. Park's economic policies encouraged private entrepreneurs. Businesses were given powerful incentives to export, including preferential treatment in obtaining low-interest bank loans, import privileges, permission to borrow from foreign sources, and tax benefits. Some of these businesses later became the *chaebols*.¹⁰

The Park regime adopted a "growth first, redistribution later" approach to socio-economic development which has remained largely unchanged ever since. As a result, the real makers of the "miracle", the working people of Korea, were not its primary beneficiaries. Instead, those who organized and controlled it, the tri-partite alliance, received most of the gains. Emergence of a new economic upper class (*chaebol*) based on ownership of a group of large enterprises was one of the most significant phenomena brought about by rapid Korean economic development. This class has accumulated

¹⁰. some evidence suggests that the Korean government encouraged business enterprises to grow in size by merger and other means (Lim, 1981; Jones and Sakong, 1978). The alleged rationale for this hinges on the international competitiveness of firms. The traditional and most prevalent size - a firm that employs 5 to 20 workers - was considered inadequate to compete with large foreign producers in the international markets. It has been reported that 173 mergers took place between 1967 and 1976 (The Korean Economic Research Center, 1978:126).

enormous capital through its intimate connection with foreign capital, but more importantly, through the favorable policies of the state toward export-oriented firms. It is well-known fact in Korea that no large-scale business success or capital accumulation is possible without the 'special favor' of the state.

Lee Han-been (1968) analyzed several features of the Park regime's long-term economic development plan, starting in 1962, from a political-administrative point of view and pointed out:

Underlying philosophy of the economic development plan was guided capitalism in which the government will either directly participate or indirectly render guidance to the basic industries and other important economic activities. The inevitable consequences of such a scheme is a state of marked inequality of income distribution between the new class of entrepreneurs and the consuming people (1968:121).

Sales of the ten largest Korean conglomerates amounted to 65.2 percent of the country's GNP in 1983, and in 1984 the top 10 exporters accounted for 70 percent of the total Korean exports for the year (Hart-Landsberg, 1987:38). The extreme nature of income inequality was also underscored by the 1979 Catholic Youth Council report which indicated that "three tenths of one percent of the population received 43 percent of the GNP, while 75 percent of all workers made less than \$100 a month" (Hart-Landsberg, 1987:36). *Business Week* (December 23, 1985) was even more explicit about the plight of the Korean working people: "few workers can afford to buy the consumer goods they make... And the sium that surrounds Seoul grow daily as the unemployed flock in from the countryside." Finally, a 1985 U.S. A.I.D. development study had to acknowledge that there was "evidence of increasing disparities in income, both between the urban and

rural sector and between the richer 10 percent of the population and those at the bottom" (quoted in Harrison, 1987:161). Korean labor was not allowed to share equitably in the distribution of earnings from economic growth. Instead, the bourgeoisie and the high-ranking state bureaucrats monopolized most of the benefits from economic growth.¹¹

Income inequality reveals itself with spatial arrangement as disparities in regional gross products, regional growth rates, and in the spatial divisions of classes become clearer. The state makes geographical rearrangements of industries in accordance with its political interests. In the relations between the public and private sectors, the national government predetermined the location of all new, modern industries, directly and indirectly. John Friedmann (1972:34) observed many of developing countries and concluded:

The choice of a location (of the private enterprises) tends to be strongly influenced by a desire of management to gain direct access to the relevant centers of political power, and, eventually, the greater dependency of enterprise on political power..., tends to impose a location in the national capital.

In a spatial context, therefore, national urbanization policy is especially important for developing countries because the location of new economic activities and population migration affect the efficiency of their national economies and the stability of their political systems. In this respect, the phenomenal growth of urban populations raises certain crucial policy issues. The developing countries

¹¹ Between 1965 and 1976, for example, the share of lower income groups declined from 19.34% to 16.85%, but that of upper income groups increased from 41.8% to 45.34%(Choo, 1979:34).

are undergoing rapid socio-economic changes and most of them are engaged in varying forms of developmental planning in an effort toward achieving socio-economic development. For example, Korea's economic development strategy has explicitly worked to make full use of existing economies in the larger cities. In other words, development policy in Korea relies on primarily on the role of larger cities, in the expectation that the self-reinforcing agglomeration economies will move the national economy at an accelerated rate.

Korea is one of the world's prime examples of extremely rapid and successful urbanization with regard to the economic growth. In Korea, the past twenty or twenty-five years, urban growth rate has been twice as large as the average national population growth. Korea is now 65 percent urbanized, even when measured by a stringent definition of urbanization, similar to the one used by the U.S. Census Bureau.

Korea's rapid urbanization in the past three decades was directly related to its relative shift from agriculture into manufacturing. Urbanization is also seen as a prerequisite for development, especially since the post-1960 urban movement was the result of labor migration responding to export-oriented industrialization. In developing countries like Korea, one of the most significant consequences of rapid economic growth and urbanization is the emergence of capitalist class and industrial working class. Especially the increase of working people who largely migrated from rural areas to Seoul to provide cheap labor for industries.

POST-WAR URBAN CHANGE AND GROWTH IN SEOUL

Population Primacy

One of the most common characteristics of the newly independent states since the end of the World War II was a rapid increase of urban population (Kasarda and Crenshaw, 1991; Gugler, 1988; Potter, 1985). The growth of urban population in these countries appeared to occur at a much faster rate than that of Western countries in a comparable period. During the period of 1950-1975, urban percentage grew from 16.7 percent to 28.0 percent in developing countries. While this is a rapid increase, it is very similar to the one that occurred in more developed countries during the last quarter of the nineteenth century. Between 1875 and 1900, the urban percentage of more developed countries grew from 17.2 percent to 26.1 percent (Graumann, 1977:56).

In Korea, as in other newly industrializing countries, economic growth and the level of urbanization have proceeded simultaneously. Rapid urbanization, accompanied by industrialization, does not in itself raise many spatial policy issues. The problem for Korea lies in the skewed pattern of urbanization, i.e. ever-increasing primacy and the spread of population concentration in Seoul. Although the process of urbanization started during the colonial period, it began to accelerate when thousands of repatriates from Manchuria, China, and Japan and thousands of refugees from North Korea returned after the 1945 Independence.¹² Korea experienced vigorous economic and urban growth in

¹². By the end of 1948, the total population of refugees from Japan, China and Manchuria and refugees from North Korea had reached almost 2.4 million. Although there are no precise data on how much of this population was distributed by regional

the period subsequent to the end of the Korean War. Per capita gross domestic product almost doubled between 1953-55 and 1970-72; population size increased from 20.1 million in 1950 to 40.4 million in 1985. The proportion of urban to total population of South Korea in 1949 (17.7%) is lower than that of the world in 1950 (28.2%) and twice that of Asian average (9%). It also exceeds the 14 percent in Central Asia, and draws close to the 20.2 percent in the Soviet Union and South America (Kingsley, 1976:12-15). Table 4.2 indicates that while the portion of Korea's population living in urban areas in 1950 was similar to that of other developing countries, it was nearly double that of other developing countries by 1975 and roughly equal to that of the developed countries in 1950. The urbanization rate (the share of urban population to national population in corresponding year) rapidly increased from 18.4 percent in 1950 to 65.4 percent in 1985; the urban population being defined administratively as resident population in urban settlements with more than 50,000 persons.¹³

[Table 4.2] Urban Population Percentage in Developing and Developed Countries, 1950 and 1975

Area	1950	1975
All Developing Countries	16.5	28.3
All Developed Countries	51.6	66.9
World Average	28.2	38.9
Korea	18.4	50.9

areas, it is estimated that most of them settled down in large cities including Seoul.

¹³. In some other cases, the urban population can be defined as resident population with more than 20,000 persons.

Source: Korean data are obtained from Ministry of Home Affairs. *Municipal Yearbook*, 1966 and 1980. Data for other countries are obtained from The World Bank. "The Task Ahead for the Cities of the Developing Countries." *Staff Working Paper*, No. 209 (July 1975).

Seoul has been the government center of Korea since the Japanese occupation. Therefore, movements from Japan, Manchuria, and North Korea during the Korean War have all been significant in the growth of the city. After World War II, there was a sudden drop in population due to the Japanese repatriation, but the loss was more than compensated by an influx of Koreans from Manchuria and later North Korea. Since the Korean War, the population of Seoul has continued to grow at a high rate of more than 8 percent per year - reaching 10 million by the late 1980's - in contrast to the annual population growth rate of 2.4 percent for the whole country. Only in recent years has the growth rate of Seoul gradually approached a moderately low level of 3 percent per year.

A large part of the population growth is accounted for by net migration (Song, 1988; Kwon, 1985). In Seoul, the net migration accounted for 42 to 82 percent of population growth between 1960 and 1985. The contribution of migration peaked during the late 1960's and has declined steadily since 1970, resulting in deceleration of urban population growth since that time (See Table 4.3). The predominant motives for migration are economic ones; a job in the capital city is, for many, the hope for survival and escape from the vicious circle of rural underdevelopment.

There are two factors which appear to have been significant in the feasibility of rapid urban growth in Seoul. The first factor is the rapid expansion of employment into the urban sector since 1960. This rapid expansion was created by the labor-intensive manufacturing sector promoted by the Korean government's export-oriented

[Table 4.3] Changing Rate of Population in Korea

% Change	1960-66	1966-70	1970-75	1975-80	1980-85
<u>Population</u>					
Nation	23.6	23.5	22.9	21.2	8.1
Urban	85.4	83.2	75.8	67.9	23.4
Seoul	112.2	131.5	76.5	49.5	15.3
<u>Migration</u>					
All Cities	65	82	48	42	45
Seoul	41	77	45	40	33

Source: Kwon, 1988; KEPB. *Ingu mit Chul'aek Census Pogo. Corresponding Years.*

industrialization (Koo, 1981:103-109; Mills and Song, 1979:10). It was also reinforced by a resultant expansion in the service sector. As David Dewar and his colleagues (1986:132) argued, the largest city characteristically has the faster rates of growth, since migrants seek places of greater opportunities. The other factor is the rapid expansion of the physical holding capacity of the urban settlements, which was made feasible primarily by the massive land readjustments undertaken in urban fringe areas. Consequently, due to poor economic and social conditions in rural areas, the rural-urban migration flows in Korea have resulted in a tremendous growth of Seoul during the last three decades.

The concentration rate into Seoul (the share of Seoul population to national population in corresponding year) has continuously increased from 8.4 percent in 1950 to 23.9 percent in 1985. Due to the dramatic growth rate of Seoul's population, 242 percent between 1960 and 1980 (KEPB, 1981), the primary rate in terms of the Kingsley

Davis' index¹⁴ has increased from 1.09 to 1.43 (see Table 4.4). Table 4.4 shows, however, that the degree of primacy increased rapidly, then declined slightly in the mid-1970's. India, China, and North Korea experienced slight drops in primacy, while Sri Lanka's decline was more drastic (Cho and Baure, 1987). Except for those countries, primacy increased in most Asian countries 1960 and 1980. Urban primacy in Seoul was not as serious as normally imagined when compared with other developing countries and the degree of primacy is declining (Kim and Mills, 1988).

However, if we measure population concentration according to the idea of a metropolitan statistical area (MSA) used by the U.S. Census,¹⁵ the actual demographic primacy in Korea has been increased. That is, if we recalculate urban primacy including the several satellite towns within the Seoul metropolitan area (SMA)¹⁶, the urban primacy ratio jumps from 1.51 to 1.64 in 1975 and from 1.39 to 1.65 in 1985. If we also

¹⁴. The Davis index is the ratio of the population of the largest city over the sum of the populations of the four largest cities (see Davis, 1976). Therefore, it is a measure of the share of the population of the four largest cities that is accounted for by the first city. The four largest cities in Korea are Seoul, Pusan, Taegu, and Inch'on.

¹⁵. The U.S. Census employs a unit called a metropolitan statistical area which includes either (1) a city with a population of at least 50,000 or (2) an urbanized area of at least 50,000 population with a total metropolitan population of 100, 000 (75,000 in New England).

¹⁶. Metropolitan area usually means a city together with its suburbs and nearby cities, towns, and environs over which the major city exercises a commanding economic and social influence (*Britannica*, vol.8:74). The SMA, as defined in this study, includes Seoul as its center, and six satellite towns (Songnam, Uijongbu, Anyang, and Buch'on in case of 1975 and including Kwach'on and Kwangmyong in 1985). In this study, I use interchangeably the terms 'the Seoul Metropolitan Area' and 'the Capital Region.'

include Suwon and Inch'on¹⁷ (25 miles from Seoul), the ratio becomes much higher.

[Table 4.4] Primacy Index of Korea

Years	1955	1960	1965	1970	1975	1980	1985
Primacy	0.86	1.09	1.28	1.53	1.51	1.43	1.39

Source: Yim. "On the Measurement of Primacy with Reference to Spatial Interaction." 1987:118.

An additional demographic change in Seoul was the rapid increase of "new urban middle class"¹⁸ which accompanied both industrialization and urbanization. In terms of the spatial dimension, while the Capital region's (Seoul, Kyonggi province) share of new middle class has been increasing from 31 percent in 1960 to 60.4 percent in 1980, the southeastern region's share (Pusan, Kyongbuk and Kyongnam province) has decreased from 30.2 percent to 25.0 percent during the same period despite the fact that the Korean government intentionally located heavy industries in these regions. As Kang Myong-Ku (1990) has argued, the restructuring of spatial structures and social relations during the last two decades of economic growth in Korea illustrates how the demographic shift of the new middle class shows the important role played by the southeastern region. This role in the economic policies has been limited only to production, the center of external control has been Seoul, which directs and regulates the production process. In addition,

¹⁷. These two cities are within commutable distance and are connected to Seoul by subway.

¹⁸. The new middle class here consists of intellectual workers, such as engineers, technicians, supervisors, and scientists, who can control production.

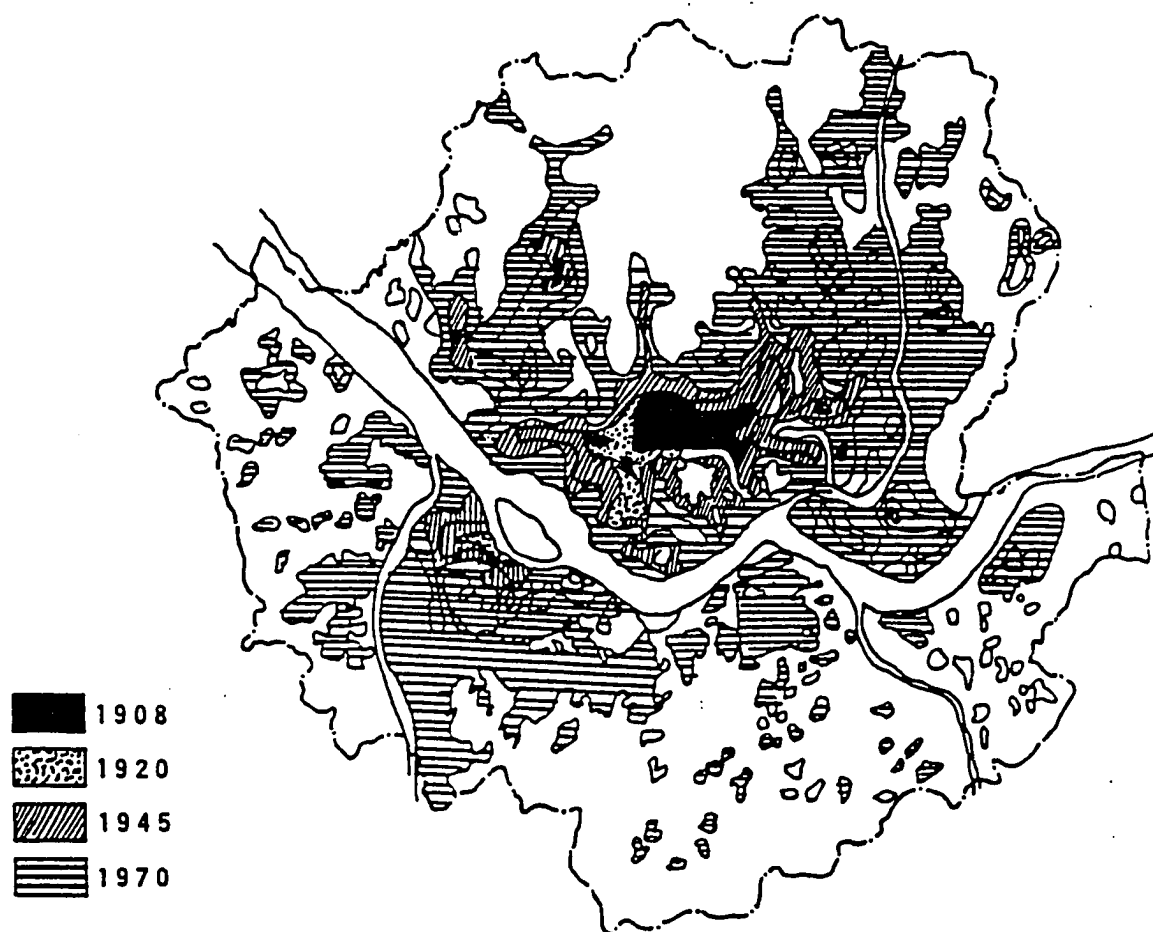
it is important to argue that the expansion of the new middle class was closely associated with the developmental ideology of Korean state. The state, in order to maintain conditions favorable to economic growth, made a planned and systematic effort for Seoul to be a center of technological innovation.

On the other hand, the rest of the country, except both the Capital region and southeastern regions, experienced a drastic decrease in the share of the new middle class during the twenty year period. These regions' annual growth rate of the new middle class was much lower than the national rate (7.8 percent). For example, the annual growth rate of the new middle class in Chonbuk province was only 4.2 percent, the lowest rate in the nation.

Urban Physical Structure

What is remarkably different about post World War II spatial patterns is that both migrants from the North generated by the Korean War, and a rapid influx of people from the rural areas created new residential districts surrounding the Four Gates. Figure 4.1 shows the transformation process of Seoul (Shin, 1989). Largely on the strength of geography and history, Seoul has evolved from a highly concentrated central Four Gates area, into a modern major city spread across many areas. Previously, the major functions were located within a 9 kilometer radius. However, as the population of Seoul has increased steadily, the outward expansion of the settlement has continued, as central location land prices rose to a level that few can afford for residential use.

[Figure 4.1] The Spatial Growth of Seoul



Source: SMG. *Seoul 600 Nyonsa*. 1986:127.

As mentioned in Chapter Three, during the colonial period, many transformations of urban spatial structure were achieved in terms of variety of urban functions in political, economic, and social aspect. Beginning in the 1910's, urban settlements began

to stretch steadily outward over still vacant suburban land, when the walls adjoining South Gate were removed and the railroad station built just outside the ancient city, industries, residential sections, and a Japanese military compound at Yongsan gradually encroached on the flood plain of the Han River. In 1945, the population of Seoul reached approximately one million people.

Between 1946 and 1970, even though the Korean War occurred, the basis of the current urban spatial structure was set. During the middle 1960's, the Korean economic situation changed into an industrialized economy. After 1970, the urban spatial distribution was dramatically expanded beyond the scope of government control. Under these circumstances, a series of legislative acts and several executive directives became to be examined by the government.

Urban Industry and Finance: Economic Primacy

Seoul is also the main focus of both secondary and tertiary industries as shown in Table 4.4. The industries were supposed by the high level of migration. The secondary industry, dominated by manufacturing, has rapidly grown from 18.4 percent in 1965 to 30.1 percent in 1980. Despite enacting the Local Industrial Development Law in 1969, the secondary industry continued to expand during the period of the 1970's and 1980. In particular, the electrical, electronics, television industries dominated this growth. These sectors were major contributors to exports.

However, between 1980 and 1985, the share of secondary industry in Seoul

declined from 30.1 percent to 28.7 percent of the market. This fact could imply that Seoul has begun to show dispersion tendencies since the early 1980's at the intra-regional level. The city has experienced a relative decline in manufacturing, while the neighboring satellite cities in the Kyongki province have gained both population and jobs. The spillover phenomenon has occurred, partly because of the government's dispersal policy and partly because of the improved suburban electrified railway network's links directly with the Seoul subway (Kwon, 1987:112-120).

Due to the rapid growth of the secondary industry in Seoul, the percentile proportion of the tertiary industry populations slightly declined during the period of 1965 to 1980. However, considering the rapid increasing trend of employed population (see the 3rd column in Table 4.5), the real populations engaged in the tertiary industry should have continuously increased.

[Table 4.5] Employment Trends by Grouping Industry

	Years	1st Industry	2nd Industry	3rd Industry
Nation	1965	58.6%	10.4%	31.0%
	1970	50.4	14.4	35.2
	1975	45.8	19.2	35.0
	1980	34.0	22.5	43.5
	1985	23.9	26.1	50.0
Seoul	1965	3.4	18.4	78.2
	1970	2.1	23.0	74.9
	1975	1.3	25.4	73.3
	1980	0.9	30.1	69.0
	1985	0.9	28.7	70.4

Source: KEPB. *Annual Report on the Economically Active Population Survey*. Corresponding Years; SMG, *Seoulsi T'onggye* Corresponding Years.

Yon'gam.

The growth of producer services (including wholesale, finance, insurance and real estates) and high-tech industries became conspicuous in Korean economy during the 1980's. The producer services are concentrated in Seoul with 59.8 percent of the total nationwide employment in the services during the late 1980's. On the other hand, the concentration of the high-tech industries in Seoul can be attributed to the concentration of higher educational institutions and research institutes operated by the manufacturing industries. According to an industry survey performed by the Korean Research Institute for Human Settlements, the proximity to the research institution is singled out as one of the more important locational factors for the high-tech industry (KRIHS, 1986). The other important factors are the proximity to Seoul and existing agglomeration (see Table 4.6). Importantly, the six locational factors chosen out of 20 factors point toward the unrefutable attraction of Seoul area for the high-tech industries (KRIHS, 1986:98). In 1989, more than two thirds of industry's research institutions were located in the Capital Region and one quarter of them were located in Seoul.

[Table 4.6] Major Locational Factors for High-Tech Industries

Factors	Response(%)
1. Proximity to Research Facility	28.8
2. Proximity to Capital Region	15.0
3. Agglomeration	17.5
4. Airport and Expressway	10.0
5. Skilled Personnel	36.3
6. Others	3.8

Source: KRIHS. *High-Tech Industry and Regional Development Policy*. No. 8604. 1986:85.

Within Seoul's ever-widening scope there were extensive resources of capital, labor, and raw materials for productive needs. One of the best indicators to reveal the concentration of wealth in a capital city is to look into the flow of financial assets. In Korea, during the last three decades, the government acted to increase internal capital accumulation through savings and loans. In this process, loans to individuals were tightly controlled for the purpose of capital accumulation and economic growth. Most foreign and domestic loans were distributed to only a few conglomerates at very low interest rates to facilitate the exports of goods to foreign markets. These financial benefits showed the dominance of Seoul in Korean financial markets because the headquarters of these *chaebol* groups were located in Seoul. During the last three decades, population primacy reached its peak at the point of 1.5 (in this case, excluding the satellites of Seoul), while financial primacy reached 4.45. From 1966 to 1985, more than 60 percent of both the total national deposits and loans were made in Seoul (Kang, 1991:26). Concentration of financial resources in Seoul has been, on the average, three times higher than the population concentration.

GOVERNMENT RESPONSES: IMPACTS AND EVALUATION

Government responses to rapid urbanization are largely concerned with new policies toward the demands and problems caused by the concentrated growth of Seoul. When a governmental system is as centralized as Korea's, the burden of responding to

the powerful forces of urbanization, rest primarily with national government.

Since the mid-1960's, the Korean government has boldly devised and identified remedies to correct the serious overconcentration of people and socio-economic activities in Seoul, and subsequently has introduced a battery of strong policy measures. The major policy instruments included industrial relocation policies and dispersal policies of governmental offices and universities. Public policy dealing with these issues was based on two major premises. One was that the population growth of Seoul must be restrained and the existing population must be dispersed. The other was to maintain political stability and legitimacy through more balanced regional development. The implementation of these policies relied on many types of positive and negative incentives, financial and non-financial, and direct government intervention and control. In short, the Korean government took the "carrot and stick" approach for implementing effectively the decentralization policy.

Industrial Relocation and Other Policy Measures

The first set of spatial policy measures to control population growth in the capital region was adopted in 1964. Since that time, industrial location has become the major policy instrument for urban planning. Main purpose of this policy was to control industrial development in the capital region through regulatory measures, and to promote development in the lagging regions through incentives.

The regulatory measures included executive orders for relocation of polluting

plants from Seoul. Various incentives were provided for relocating firms under the 1969 Local Industrial Development Law and 1971 Local Industrial Promotion Law. Under the provisions of the law, the government designated local industrial estates and allowed exemptions from income and corporate taxes for industries located in the designated estates.

As for control measures, the amount of land available for industrial use in Seoul was drastically reduced by rezoning in the early 1970's. Eleven local industrial estates were created and between 1969-1975, 602 manufacturing plants were located there employing 55,700 workers (Hwang, 1979:7). The proportion of the secondary industry has decreased gradually,¹⁹ now being substituted by the tertiary industry. However, the concentration in the SMA as a whole has increased from 46.0 percent in 1970 to 48.5 percent in 1983.

The Korean government has developed several industrial specialized estates including Panwol, Gumi, Ch'angwon, Yoch'on, and Ulsan to promote heavy industry, to encourage dispersion of industries across the nation, and to decrease increasing primacy in the national core. This phenomenon was not expected by modernization researchers because in the absence of polarization reversal they have no basis for explaining the emergence of specialized industrial cities outside the core region of less developed countries.²⁰ Nevertheless, the industrial dispersion policy, under the political

¹⁹. However, the concentration in the Seoul metropolitan area as a whole has increased from 46.0 percent in 1970 to 48.5 percent in 1988.

²⁰. Modernization theorists claim that the increasing primacy of the system of cities by the national economic growth is a normal feature of development which will

economic system of authoritarian Korean government, resulted in the layering of employment structure between Seoul and local cities. In other words, through the industrial relocation the local cities came to be developed as the 'factory city' only for production, while Seoul played the role as a 'central management city' with the relative increase of managerial position. According to Kim Hyung-Kuk (1983:150-156), 88.6 percent of headquarters of the 518 subsidiary companies under 50 big business groups in Korea were located in Seoul and, 35 companies of 75 local business groups had their branches in Seoul. These industrial estates were concentrated in the Seoul's and Pusan's hinterland cities and Seoul-Pusan corridor. These areas contained more than 80 percent of the manufacturing employment of the all industrial estates in Korea in 1985 (Lee, 1987:205). Therefore, government policy had no impact on industrial dispersion to peripheral areas. Rather, it provided the basis for further industrial concentration in the two largest metropolitan areas.²¹

The industrial relocation programs may have been partially successful in accelerating the dispersal of small manufacturing firms, by working with the market mechanism. The advantages of agglomeration economies in Seoul were so immense, that it was not feasible to issue a relocation order only. It was more important to compensate

lead eventually to the diffusion of development to the periphery and result in decreasing primacy and polarization reversal (Berry, 1971; Friedman, 1966, 1973), but few examples of polarization reversal exist in developing nations (Richardson, 1980).

²¹. Lee Chong Ho (1988:183) argued that the industrial concentration to the two metropolitan areas was the result of the First Comprehensive National Physical Development Plan (1972-1981) which focused on improving the efficiency of land use and expanding major economic infrastructures in Seoul-Pusan corridor.

for the welfare loss of the relocated firms. A survey of relocated firms from Seoul to Panwol New Town reveals that a large number of those firms incurred extra time and overhead costs due to the moves (Choi and Song, 1984). There was also the problems of inadequate housing, educational facilities, and public services for the employees and their family members.

There is a fundamental limitation to the approach of inviting existing or new firms to target areas through the provision of infrastructure. It is true that adequate infrastructure is a necessary, but not a sufficient condition, for the growth of a regional economy. Recent studies reveal that inter-regional disparities in major social infrastructure had been substantially reduced during the 1970-85 period. For example, the coefficient of variation for the road pavement ratio declined from 0.80 to 0.23 during the period (Kim, 1984:40). However, the problem of population concentration of worsened, as was discussed above. The provision of infrastructure is only precondition for the sources of the new industrial locations.

Alternative policy could be implemented either by imposing heavy locational surcharge (e.g. congestion tax) or by reinforcing environmental protection standards (Kwon, 1985:224). At the inter-regional level, the main target group of industrial relocation was big corporations which had the potential to establish branch plants away from the Capital regions.

The Korean government also enacted the Basic Management Plan for the Capital Region as prepared by the Ministry of Construction in 1984. One of the most important policy interventions in the program was the regulatory policy of industry establishment

and equipment within the Seoul area. The major contents are: (1) the control over the establishment of new firms and over the enlargement of existing firms; and (2) the levy of a heavy tax when creating and extending firms in inner Seoul.

According to the Korean Research Institute for Human Settlement (1992:61), this physical regulatory policy, however, raised unexpected problems. First of all, it increased the number of small-scale and illegal businesses in the inner Seoul. In particular, small-scale businesses greatly increased from 28.3 percent in 1980 to 31.0 in 1985 and to 33.5 in 1990. This increasing trend is due to the fact that the small-scale firms with less than 10 employees were excluded from the regulatory target.

On the other hand, the rigorous regulation on creation and expansion of larger firms stimulated the massive creation of illegal businesses in the city. For example, during the period 1984 and 1989, the number of total illegal firms in Seoul has risen dramatically by 100 percent, from 7318 to 14545. This illustrates how difficult it is to control the economic activity aiming at efficiency through the instrument of "what should be" rather than focusing on "what is." Because Korea must be concerned with economic efficiency and Seoul is the best physical location for achieving the efficient economic activities, the city's economic agglomeration is inevitable. Moreover, the government cannot restrain too much of the city's economic attractiveness under the name of balanced regional development. The regulatory policy has only controlled the supplies (results) without concentrating on the demands (causes). That is to say, despite the fact that the demand of firms in Seoul is greater than any other region, the Korean government's policy intervention is more focused on the results of their policy rather the causes.

Dispersal of Government Offices and Universities

Seoul, the capital since 1394, has been functioning as the center of political power, so it is natural that almost all of the national government's institutions and facilities are located in Seoul. In particular, during the period of very rapid national economic growth, decision-making was centralized in the central government for the sake of political and administrative efficiency. As a result, all policy inputs of manpower, information, and financial resources were spatially concentrated.

The percentage of central government bodies and agencies is 91 percent in Seoul. The proportion of the government employees within the total employed population in Seoul was 22.5 percent in 1974, excluding employees of the municipal government, of the Congress, and of the judicial administrative offices (KRIHS, 1981). The national government itself was not only the biggest employer and service provider in the primate city, but also the attraction for encouraging other employment and service institutions to move to Seoul. Therefore, the government's response toward urban deconcentration can not be separated from deconcentration of political and administrative functions. The only major achievement was the construction of a new administrative town, Kwachon, which accommodated many of the ministerial offices including the Economic Planning Board. The three moving plans from 1973 to 1985 selected, seventy two institutions, which included government offices and public corporations. However, in practice, thirty nine of these institutions moved. One of the most important reasons, the Korean Research Institute for Human Settlement (199:61-62) suggests, that the dispersal of public offices

was implemented without the accompaniment of the skilled and professional officials, which decreased the administrative efficiency. Of course, the decision to move government offices would be more difficult than manufacturing establishments. Experience suggests that most government officials would let their families remain in Seoul to avoid their children losing educational opportunities. As an alternative, the relocation of secondary government functions are under way on a massive scale, neighboring to a technopolis-like research park (Taedock) near Taejon which is located geographically in the middle of South Korea.

Education was one of the most important reasons why Seoul attracted provincial migrants. Entering reputable colleges and universities in Seoul guarantees both jobs and social status. To relieve the population concentration associated with quest for higher education, several government actions have been carried out since 1970. Restrictions are made not only on the number of students but also on the establishment of new and the expansion of existing universities in Seoul. As a result, many branch campuses of the universities in Seoul have been promoted, even though most of them are located within the SMA. Their spatial impacts have been modest, because more than 70 percent of students and professors are still commuting from and to Seoul.

APPRAISING CONCENTRATION GROWTH: CHALLENGES AND GROWTH FORCES

The Emerging Pattern and Challenges

By the early 1960's, Seoul had become a classic primate city, dominating the economy and the settlement system of the country (Rondinelli, 1984:25). The disproportionate influence of Seoul within the nation applies to nearly all important economic and cultural functions. According to one report, in the late 1960's, Seoul produced about 30 percent of GNP and contained 44 percent of the automobiles, 42 percent of telephones, 56 percent of the medical doctors, and 60 percent of the college students in the country (Park, 1978). Yet, it seems to be certain that the degree of Seoul's centrality has decreased since the 1970's and even the population of Seoul is entering into a long process of stabilization. Nonetheless, the population increasing share of Seoul still remains a challenge for regional planning. The population share of the capital city has increased from 9.8 percent in 1960 to 20.7 percent in 1977, 23.5 percent in 1985, and 25.2 percent in 1990. It is also certain that, although the dispersal of manufacturing industries slowed down the population growth rate since the early 1980's, the rapid growth in the service sector, particularly office development, has acted as a destabilizing factor, and consequently promoted the capital primacy of Seoul. About 68 percent of the headquarters of the manufacturing industries with an equity capital of more than 20 million won in 1985 are located in Seoul, while only 32 percent of their factories are in the city (KEPB, 1985). What is more, about 90 percent of the headquarters of the

top 50 corporations in Korea are located in Seoul (Kim, 1983:152).

Manufacturing is no longer the economic base of Seoul, because it has been dispersed to other areas through government planning. Yet expanding international trade, banking and insurance, and construction have been responsible for recent population growth in Seoul. Also the number of white-collar jobs, such as professionals, managers, and clerical workers, has been growing rapidly. The government has considered promoting white-collar employment in metropolitan areas other than the Capital Region, combined with a program to disperse central managerial functions from Seoul, but its result is still questionable as Table 4.7 indicates.

Another challenge for metropolitan planning is the disorderly location of manufacturing industries in the Capital Region. The Seoul metropolitan area is still confronted with the increasing concentration of population and economic activity. For example, about 42.7 percent of nation's population, 41 percent of manufacturing employees, and 44 percent of tangible capital assets of the nation, in 1987, are centered in the Capital Region surrounding Seoul. Based on these data, it is quite natural that Seoul should be able to accommodate the major central managerial function. This has been enhanced by the fact that the rapid economic development, since the 1960's was promoted under the strong leadership of the government.

The urban primacy identified above was anticipated by scholars affiliated with world system perspectives (Armstrong and McGee, 1985). But the other aspects of Korean urbanization were not. "The other aspects" of Korea urbanization are the growth and industrialization of some regional centers, and the remarkable stability in the

[Table 4.7] Concentration Ratio of Central Managerial Function in Seoul
(1991)

(Unit: %)

	Seoul	Pusan	T'aegu	Kwangju	T'aejon
Central Government Bodies	83.8	0.9	0.0	0.0	2.6
Manufacturing Head Offices	68.2	6.5	2.4	0.9	1.1
International Trade	96.3	3.2	0.1	0.0	0.0
Higher Education	45.2	12.2	1.3	7.3	5.4
Commodity Dealing	69.3	10.1	7.8	1.6	3.2
Business Information	77.9	5.2	4.6	3.4	4.9
Business Finance	49.5	9.8	7.1	5.6	4.1
Population	25.2	9.1	5.6	2.5	3.1

Source: KEPB. *6ch'a Kyongjegaeibal Pogaso*. 1991:119.

distribution of city size. In many peripheral societies, increasing primacy has been largely accompanied by the concomitant stagnation, or underdevelopment, of regional centers. Although this statement does not necessarily imply the total stagnation or underdevelopment of regional centers (Smith, 1985; Roberts, 1978), the dynamics of intermediate-sized cities found in Korea entails different theoretical as well as practical significance compared to the other peripheral societies. The rather successful story of urban "growth poles"²² in some provincial areas is also pointed out (Kim, 1978). The First Comprehensive National Physical Development Plan formulated under the *yusin*

²². Cities, especially large cities, can be termed "growth poles," acting as centers from which economic activities disperse throughout the rest of the economy (Walters, 1985:75).

regime in 1972 was drafted on the basis of growth pole theory. The plan's emphasis on economic efficiency brought about an enormous growth rate. However, it failed to restrain the concentration of population and economic activity in Seoul. As consequence, the tendency towards uneven development persisted.

The size distribution of Korean cities has shown remarkable stability during the last several decades. As Mills and Song (1979:52) have put it succinctly, "almost all Korean cities have grown rapidly, but there is no tendency for Seoul, or any other city, to become increasingly dominant." Of course, judging from the previous discussions on urban concentration, this statement is somewhat exaggerated and misguided when considering the socio-economic dimensional changes of Seoul. According to Korea Economic Planning Board (1986), it is true that almost all Korean cities have grown rapidly and that the rank order (based on urban population) of Korea's six largest cities²³ during the past four decades (1949-1987) has remained the same.

The problem of overconcentration of population and economic and cultural activities in one region (or area) at the expense of the rest of the nation has been recognized but not seriously dealt with, at least, for the first decade (Kim, 1989:147; Cho, 1987:94). This was largely because it was commonly accepted among the government policy planners - notably development-oriented economists - that the imbalance among the different regions was an inevitable consequence of the earlier state of modernization of any nation, particularly in such country as Korea.

²³. Including Seoul, these cities are Pusan, T'aegu, Inch'on, Kwangju, and T'aejon.

Nevertheless, there are several important reasons why the dispersion of industry and population should be adopted as policy to insure balanced regional development. First of all, inter-regional inequalities resulting from the excessive agglomeration of capital in Seoul have become a growing concern for the distorted spatial organization in Korea, not to mention a national defense problem. As shall be discussed later, the locational advantages of Seoul have affected the continuous movement of population, and therefore the concomitant expansion of service activities.

As a matter of fact, development was uneven within and between regions. Mounting evidences showed that the average per capita income in rural areas was far behind that in urban areas. Presently, the per capita income of Seoul is about 1.5 times higher than the national average. To make things worse, the regional disparities in Korea touched off regional psychological emotions, which might contribute negatively to political integration. Accordingly, Kim Hyong-Kuk (1974) concluded that the regional economic disparities were identified as dominant reasons for the polarization, and the resulting reduction of the national political integration. In addition, other evidence suggests that the residents of the Cholla Namdo, southwestern province of Korea, have been continuously dissatisfied politically and economically, and that the province has deteriorated the most in Korea. These problems are greatly due to the regional inequality which has been resulted from the unbalanced regional policy under the Park's authoritarian regime in the 1960's (Kang, 1991:155-60). For a reason why he opposed President Park in the 1971 election, a farmer in a remote corner of the province expressed:

There have been improvements in our village..... There are better paths from our homes to the paddy fields. But we farmers feel we are lagging behind the rest of nation..... the villagers are jealous of a neighboring community that had got electricity last year (*The New York Times*, May 1, 1971).

Secondly, the Seoul city government has recently encountered urban diseconomies caused by the rapid increase of population. Among them is the rapidly expanding expenditure on the provision of urban services due to continuous inflow of people (Kim, 1989:156-57). During the period of 1962-76, Seoul's population increased by 2.5 times while its budget was expanded more than eightfold. As a consequence, the local expenditures for Seoul alone was equal to that of all other cities in Korea. If 100,000 people were dispersed from Seoul by industrial relocation, government expenditure on urban services would be reduced by approximately 44.2 billion *won* (Kwon, 1981:78).

Finally, the rapid population explosion in Seoul has also led to critical shortage in housing. Seoul is surrounded by a 'greenbelt' and is reaching the limit of possible growth. According to Seoul city government's (1986) estimation, vacant land available for development within its boundary is only 40 square kilometers. Given the strict density controls, there simply would be no room for further growth in Seoul. There is no way to avoid having a rapid rise of land price in Seoul, for an enormous demand is pressing upon the limited available land. A tremendous increase in land value reached nearly 26 times higher in the capital city over the last ten years from 1974 to 1985. There is little doubt that a rise in land prices is rapidly reflected into a rise in housing price, which in turn led to higher building densities in specific middle class residential area, as shall be discussed in the following chapter. Low-income groups are thus compelled to move

further away to more remote suburban areas, and to spend additional time and money on commuting.

The Growth Forces and Implications

Why do people and firms prefer to live and locate in Seoul rather than other parts of the country? The reasons are many, but interplay between political and socio-economic factors can explain most of the urban agglomeration.

Obviously, the urban growth and development under the 'developmentalist state'²⁴ like Korea must be regarded as an integral part of the scheme of national development. What is needed is a national economic development policy that recognizes the pivotal role of Seoul.

In spite of the proliferation of government policies to disperse the Seoul's population concentration, the outcome is negligible. As a result, the city's dominance over the rest of Korea continues. The main reason is the hierarchically centralized political structure of Korea. It is true that highly centralized political systems have inherent advantages over decentralized governmental arrangements in directing the flow of national resources in accordance with general plans for development. As Rondinelli and Cheema (1983:13) argued, however, centralized planning is not only difficult to implement, but also inappropriate for promoting equitable growth and self sufficiency

²⁴. Most of the countries which are defined as 'developing countries' may be conceived as 'developmentalist states' in the sense that they have been directed to promote industrialization as their foremost national ideology.

among communities.

Decentralization of the governmental functions threatens the central power structure. Therefore, the top echelons in the authoritarian Korean political ladder are not eager to delegate their decision-making and management authority to the local officers. Especially, since the political consequences that arise from the centralization of decision-making in Seoul has caused some parts of the periphery to feel that their needs and circumstances are misunderstood. Another reason is the functional efficiency of political and administrative concentration in Seoul. Because all the governmental offices are concentrated in the same place, it is convenient to coordinate the different administrative offices and to maintain contact with the Seoul municipal government, the Congress, and the judicial institutions.

In addition, under Korea's government-guided economy, it is advantageous for the industrial and commercial capitalists, including domestic and foreign ones. Sjoberg (1963:109) mentioned that urban concentration serves to maximize communication, and to facilitate the exchange of goods and services among the various categories of specialists. Yet, more important is the extent to which lobbying the national government is important for gaining favors that support export firms. This leads the large firms to locate in the capital to ease lobbying pressures.

A highly trained bureaucracy and development-minded leadership under the authoritarian Korean political system could be the dominant means to get rapid results. But its negative potential was also apparent. Corruption was the symbol of this negative potential. Corruption, we would all agree, involves a deviation from accepted standards

of behavior.²⁵ In Korea, where rapid social transformation and development has been taking place, corruption has become an inseparable byproduct of modernization and development. Economic development and an expanding bureaucracy presented increasing opportunities for corruption (Kim, 1993:284-295). Economic elites, economic bureaucrats, intellectuals, and military elites are the new ruling class of Korean society. During the Park regime, these bureaucratic elites established rapid economic growth, but they declined to establish a democratic bureaucratic system as the engine for economic development. Indeed, they blocked citizen-participation in the decision making process. It is well known fact that Korean bureaucrats have been authoritative and taken arbitrary attitudes toward citizens. Given that business had a powerful interest in development and that authority was concentrated in an unaccountable administrative elite, the notorious problem of corruption among civil servants resulted. The legacy of bureaucratic centralization from Japanese colonial rule certainly fostered this tendency. Today's Korean bureaucratic system resembles hierarchical order, centralization of power, and military authoritarianism of Japan (Cumings, 1984).

In Korea's history, corruption has periodically brought the administration to the brink of painful change. For instance, the April Revolution (i.e. the student revolution

²⁵. Broadly speaking, there are three criteria to establish those standards (see Werner, 1983:147; Scott, 1972:5-6): the public interest, public opinion, and legal norms. The standard of public interest emphasize the betrayal of public interests by preference of particular to common interests. Public opinion-centered criteria is to ask whether the public considers an act corrupt and to use the public's judgment as the definition criterion. The standard of relying on legal norms involves the deviation from legal and public duty norms for the sake of private benefits.

in 1960) was a giant revolt against President Rhee's corrupt administration. Furthermore, the almost 18 years' long term of Park Chong Hee's military government provided opportunities for political and bureaucratic corruption. Park's regime was ended by an internal political struggle among KCIA, Presidential Guard, and Secretariat Office. The Chon military government, which gained power in the early 1980's, generated many political scandals, especially associated with Chon's relatives. As a result, he had to testify before the National Assembly about the abuse of power and other misdeeds perpetuated during the seven years of his authoritarian rule.

Accompanying this top level political corruption has been a common petty corruption among lower-ranking officers. Typical instances include gifts given to clerks to expedite one's case, bribes (often extorted) to avoid prosecutions for minor offenses, kickbacks in the hiring of labor, violations of regulations in responses to an official/patron's request and so forth. Although such transactions involve a relatively small sum, the cumulative total added appreciably to the incomes of petty officials. The fact that public sector salaries are substantially below those of the private sector fed this corruption. A recent report by the Ministry of Government Administration (1993:78) pointed out that 17 percent of the persons on the government payroll received salaries that fall short of minimum living expenses.

Although many smaller cities have a major attraction because of lower labor cost, the indigenous multi-plant firms can retain their corporate offices in the national capital in order to have proximity to control/coordination functions and government officials. In Korea, for example, four of the largest *chaebols*, Hyundai, Samsung, Daewoo and

Lucky-Goldstar, are headquarter in Seoul (Kim, 1986), and most of international trade offices (about 97 percent) are also located in the capital city.

Thus, the rapid growth of Seoul is politically motivated in that the functional advantages of the city help to sustain the political elites and capitalists, and to maintain their close relationship. The political organization, in order to perpetuate itself, must provide a favorable climate for the development of cities. Conversely, as Sjoberg (1963:11) has argued, cities cannot survive without the support of a viable political system. Another related consequence is that most of private firms in Korea, especially big businesses, have often behaved in such a way as to suggest that access to the national government has an important bearing on commercial and industrial location of Seoul to pursue their interests. On the other hand, the Korean government made continued efforts to expand infrastructural facilities in the already industrialized Seoul area until the early 1980's (Hong, 1993) under the government's economic strategy. "Development can make further development," while preparing the various dispersal policies to curb urban agglomeration. This line of the Korean government's development ideology is presumably consistent with Mollenkopf's (1981:322) observation; governmental institutions mediate the interaction between capital accumulation and urban development which play a key role in the process of urbanization.

Perhaps the biggest flaw of the Korean government's policy measures to curb the population and economic primacy in the capital has been the absence of the political and administrative decentralization. Exceptionally, Seoul is administratively classified as a "special city" which legally belongs in the jurisdiction of the Prime Minister. The Mayor

of Seoul is appointed directly by the President. Seoul was granted privileges not usually available to other local governments in Korea.²⁶ As Cho Ch'ang Hyun (1987:98) argued, as simple local branch offices of the central authority, in terms of both authority and responsibility, other local government units in Korea are extremely limited in the initiation and decision-making process of regional development. In terms of power structure, the Park's military government passed the Provisional Act for Local Self-Government in 1961, which abolished the concept of local autonomy completely, and provided for the central government's appointments of all officials.

The Third Republic and the so-called Reform Constitution of 1972, virtually closed the door for popular participation in local government affairs. Thereafter, the authoritarian government has not encouraged local autonomy for two reasons: (1) the population's lack of familiarity with local autonomy; and (2) the weakness of local financial resources. Accordingly, all local operations have been almost completely dependent upon goals assigned by central government offices. In addition, representatives of different ministries communicate more easily with the Seoul offices of their own ministry than with local representatives and other ministries. Such a situation reduce the local capacity to innovate and to modernize industries (Renaud, 1971:475). Under these circumstances, the regional effects of economic development policies have not seriously considered. In this respect, strategies for a more balanced regional development call for

²⁶. For example, the Mayor of Seoul is equivalent in rank to a cabinet minister and regularly attends cabinet meetings; the legal status of the city stands above the provincial level; and the rank of the important positions in the city government is elevated.

both administrative and political decentralization.

Central government policies that maximize national development in the interest of efficiency, have been one major cause of increased regional inequalities. Tendencies toward polarization may also be exacerbated by the concentration of public investment in a few favored regions or urban centers, including the Seoul and Pusan metropolitan areas. An implicit efficiency-oriented favoritism appears to prevail in the existing political and economic system, paying little attention to equity and welfare considerations. Such factors have, in turn, led both to concentration of population and industries in the Seoul metropolitan areas and unintended negative side effects including regional disparities. From this point of view, one may argue that all the existing plans and policies for the dispersion of the overpopulation and economic activities served as political propaganda, and therefore Seoul-oriented employment and population inflow have never stopped.

Many also assert that the real objective of the government policies aimed at growth control and population dispersal in Seoul was coming from a concern for the national security. Under the military threat from the North Korea, President Park was seriously considering to construct a new capital city further south in the area near Taejon. Therefore, it is conceivable that the growth control policy in the 1960's and 1970's was essentially aimed to serve national security objectives.

Rapid urbanization was further promoted by the export-led strategy of industrialization. As a result, the urban concentration of Seoul may be interpreted as a manifestation of dependent industrialization in Korea. Ironically, it is undeniable that this

largest urban concentration has played a monumental role in the rapid economic growth of Korea during the past decades. The dominance of Seoul's economy over the rest of the country can be explained by the concept of initial advantages as a center of innovation or imitation from abroad. For example, industrial location historically conferred advantages on prospering areas like Seoul, reinforcing the process of "growth breeds growth." There are cumulative, self-reinforcing effects between the provision of urban infrastructure and other locational economies.

In this context, economic factors have also been played an important role in stimulating Seoul's urban agglomeration. A question arises concerning the market-mechanism means as a cause for the regional inequalities in the Korean regional/urban development policies. The rate of urbanization in Korea has been linked to the rate of economic growth, particularly of manufacturing and service sectors which have both grown rapidly and been relatively labor-intensive. It was clear that though there appeared to be concern about the overconcentration, overdevelopment, and overcrowdedness of Seoul, a variety of remedial measures and previous statutes were conditioned by the constraint of sustained economic growth.

The process of persistent economic growth also brought an increase in labor productivity, which was only possible because of the spatial concentration of labor power and the means of production. This increase has led to an increasing differentiations in the division of labor. White collar and high-skilled labor are mainly employed in the Seoul metropolitan area, while local areas are dominated by low-skilled labor.

The tendency toward concentration was both cause and effect of the other

centralization processes and of the efforts to promote rapid economic growth. More than at any time in the past, pressures for economic development have strengthened those factors which pulled economic and other activities in the direction of the city's development. Consequently, it is conceded that an economic variable, 'economies of agglomeration' had an effect on city's urban development. The agglomeration economy of the Seoul metropolitan area is very strong (Hong, 1993: Cho, 1987: Renaud, 1974). Firms, locating their headquarters in Seoul derived significant advantages in terms of industrial location. Existence of diversified technical services including replacement and repair were of considerable importance to entrepreneurs (Kwon, 1981:75). It is much easier in Seoul to employ engineers, subcontractors, specialists and freight services on contract.

Further, the geographical concentration of complementary industries was advantageous for technical advice as well as for information gains. The concentration of industry in Seoul placed great emphasis on the role of labor in a dual sense; its availability as a factor of production, and as consumers with a purchasing power far exceeding the country's average. A large pool of labor, in turn, indicates the abundance of alternative job opportunities in Seoul for labor itself. This implies that migration of workers can proceed without the presence of inter-regional income disparities. Most migrants feel that they are better off in Seoul, where access to public services is far better than any other region in the nation. The national spatial structure, especially the urban agglomeration of Seoul, was shaped by the dynamism of capitalist accumulation in Korea's economic growth.

There are other unspecified reasons for Seoul's predominance. It is natural that people believed that if they wanted to get near the ladder of social mobility they should go to Seoul. Due to the education and business contacts that are concentrated there in disproportionate amounts, the city is for all practical purposes 'the only road to success in modern Korean culture.' Consequently, anyone with ambitions has to spend time in Seoul, if not actually to live there.

In general, the flow of migrants coincides with the flow of scarce resources from the periphery to the center. As a result, the urbanization pattern in the past three decades reflects the asymmetrical center-periphery relationships within the socio-economic structure. On the other hand, high cost of living in Seoul leads to increases in general wages and prices and, thus, the production cost of the nation. As a matter of fact, the price competitiveness of Korean manufacturing products has been sliding with rapid wage increase in recent years.

To stimulate the vitality in Seoul and to promote more balanced regional growth, the redirection of the policy from the growth control to the city seems to be inevitable. Although the Korean government cannot realize the dream of urban planning by guaranteeing what Percival and Paul Goodman called "planned maximum security with minimum regulation by subsidizing the full productivity of the economy" (1960:188), a 'more carrot less stick' is more preferable. Without doubt, the central government has put too much emphasis on control measures to decentralize the population from Seoul

simply because they do not involve any financial costs.²⁷ But the long lasted government policy of decentralization has been obviously ineffective in decreasing the agglomeration of Seoul. While a decline in the total population rate of Seoul has been detected very recently, especially in manufacturing activities, the concentration of producer services and information in Seoul is increasing, as is Seoul's role in the era of globalization.

²⁷. The Korean government has announced a series of policy measures to control the growth of Seoul, including Population Dispersal Plan of Seoul (1975), Population Redistribution Plan of Capital region (1977), Restriction on Construction of Public and Large Building in Capital Region (1982) and Capital Region Readjustment Plan (1984). In addition, there has been two National Development Plans, during the period of 1972 to 1992, also emphasizing the decentralization of Seoul and regional balance.

CHAPTER FIVE _____

Housing Development and Residential Structure in Seoul

This chapter continues to examine the relationship between macro patterns of political and socio-economic change and micro processes of urban growth in Seoul. Specifically, the chapter addresses itself to the question of the role of the state in housing and land use through a detailed examination of Seoul, focusing on the changing pattern of its residential structure. I wish to discover the extent to which the state defined policies in housing development have influenced not only the public sector but the private sector as well, and how they have restructured the largest city in Korea by producing distinctive patterns of residential spatial differentiation. The proposition that urban spatial differentiation in Third World cities occurs only in the presence of political intervention is hard to prove. However, one can analyze the patterns sparked by political actions which were preceded by spatial changes rather than attempt to prove a causal relationship between them. I propose that the recent residential differentiation in the inner Seoul was largely attributable to the national urban policy and its impacts, particularly the impacts of public housing programs, Land Readjustment Projects, and state-directed urban renewal projects in the 1960's and 1970's.

In urban Korea, shifts in residential location by class is a new phenomenon. In Seoul particularly, residential changes motivated by social class were slight until the mid-1960's, when the construction and distribution process of housing, especially of middle-

class-centered apartment complexes homogenized specified areas. The establishment of Housing Facilitation Act and Housing Development Promotion Act of Special Districts in 1972, further accelerated this pattern.

The Land Readjustment Project, which was used as tool for housing site development since the Japanese colonial period, also during this period became a significant cause of unbalanced residential development by becoming the major resource of housing for middle classes. One of Korea's most pressing policy issues was to encourage the growth of the middle classes, and this resulted in the structural conflicts and gaps between the "haves" and the "have nots." The gaps in housing quality between different classes, specifically between the upper/middle and working class, widened particularly as time progressed, though they have been narrowed to a substantial degree in other basic needs such as food and clothing.

Accompanying with the 5-Year Economic Development Plans, which resulted in massive economic expansion and growth during the last three decades, the role of the Korean state has also become active and extensive in the residential development, mainly by stimulating development to meet the needs caused by rapid urbanization. Legislation and policies were oriented to facilitate development, especially in the old peripheral areas south of the Han River. This was justified by the claim that the authoritarian Korean state's urban development planning represented the balanced development of the city.

The questions arise, do national and local governments have their own distinctive interests in urban development process, and do they have significant autonomy in how they pursue them? In order to answer these, I will concentrate on how middle class

households are concentrated in a specific administrative unit in the inner city, along with the theoretical concerns with how government intervention affects the middle class politically and economically. However, in order to discuss the middle class as a unit, specific equality issues of housing policy must first be addressed.

GOVERNMENT INTERVENTION AND UNEVEN HOUSING DEVELOPMENT

Evolution of Government Intervention in Housing

The post-Korean War housing dearth is the most critical problem facing the urban Korea and Seoul in particular. The Korean War wrecked a heavy damage on urban dwellings. The destruction of housing was severe; 38,324 dwellings were completely destroyed and 68,800 partially destroyed. This constituted one third of the 198,023 houses reported to have been in Seoul before the Korean War (KNHC, 1985:24). Moreover, the exodus of war refugees from North Korea aggravated the already difficult housing problem.

Since the end of the Korean War, 18,055 dwellings have been built by government loans and 98,260 by private owners in Seoul (KNHC, 1992:11-12). But this did not meet the needs of the ever-increasing urban population. In 1958, housing shortages in Seoul were 106,140 units or 31.5 percent of total demands, while in 1961 the shortage increased to some 210 thousand or 44.2 percent of total demands, or 12.7

percent increase over that of 1958 (Ro, 1972:194). It was also reported that some 60 thousand dwellings needed repair and some 200 thousand families were living in rented rooms. Additional housing requirements plus renovation of existing dwellings in poor condition constitute an appalling 65.7 percent (SMG, 1962:356-357).

The fundamental case for state intervention in housing is that market forces alone provide neither adequate stock nor fair distribution. However, mounting demands for housing in the wake of accelerating urbanization in Korea were not matched by increased governmental efforts to provide shelter. Quite the opposite was the case. Housing was given low priority by the central government throughout the decades of rapid urban growth, as the central government concentrated investments on industrial development. The high rate of investment in the primary industrial sector (export industries), the increasing household income, and the high rate of urbanization coupled with restrictive control of government over housing investment contributed to the rate of price inflation of housing being far greater than that of the general price inflation and income. Although Korea is a success story in terms of economic development, public housing investment by the state as a percentage of the GNP from 1962 to 1972 was less than three percent, relatively low compared with the five or six percent level shown in many countries. The result of this limited public investment implied the difficulty to allocate sufficient resources for the housing needs of the urban low-income group. Moreover, public housing institutions have paid much attentions to the construction of expensive housing without having a clear understanding of poor households' needs.

The acute housing shortages resulted in the illegal construction of thousands of

make-shift shanties by "squatters" (approximately 70 thousand in Seoul in 1961) in park areas, road sides, riverbeds, and on public-owned land. Urban squatter settlements are the symbol of the equity problem in Seoul. Accordingly, as Castells (1978:168-70) argues, when pressure arises for the state to regulate demand for collective consumption goods, like housing and open space, it is a focus of conflict. The housing shortage constituted in Seoul a serious obstruction to the revitalization of urban activities which should have been playing a vital role in the recovery of the national economy. Housing thus became one of the most contentious political issues of the 1960's in Korea; massive intervention of Korean government in housing was just a matter of time.

Until the early 1960's, both the Korean government and Seoul city government appeared to have no recognition of the serious effects of the continued overconcentration of people and activities into the national metropolis. Continued agglomeration had been regarded as reflecting the advanced development and prosperity of the city. Moreover, each city mayor in Korea, appointed by the President, had routinely announced large development projects while in office. It was customary for him to believe that his degree of success was commensurate with the number, and scale of, development projects inaugurated during his tenure as mayor. However, the enormous agglomerations kept causing urban disseminates, a somewhat common characteristic of mega-city problems world-wide. These mega-city problems include housing shortages and overcrowding, land price hikes and speculation, traffic congestion, air pollution, and environmental disturbances, not to mention the fiscal stress faced by the city government.

The Korean government began to intervene systematically in the housing market

with the City Planning Law in 1962, opening a door for the government to take part in urban development and, later, in the deconcentration processes. In particular, both the Housing Construction Facilitation Act and Development Promotion Act of Special Districts of 1972 were enacted to alleviate the chronic housing shortage and contributed to the rapid development of South Seoul.

It is evident, however, that the intervention of the Korean government in the housing market, direct or indirect, has considerably increased in kind and in intensity through a impressive number of regulations, laws, plans, construction projects, land development, price control and other activities.

The 1960's were important to the extent that the government attempted to promote housing construction in organized manner. In 1962, the central government's Economic Planning Board launched the First 5-Year Economic Development Plan, on which the national housing program of the Ministry of Construction was based. The specific concern of the government in housing policy "is with the family unable to provide itself with adequate services ... Thus, major beneficiaries will be the urban poor and also moderate income families, especially non-homeowners."¹ The same year saw the Public Housing Act, the Five Year Housing Construction Plan, and the Housing Fund Operation Law, through which Korea National Housing Corporation (KNHC)² was established.

¹. From the address presented by the Minister of the Ministry of Construction, Ihm-Hwan Park at the KNHC establishment ceremony, July 1, 1962, in KNHC 1979:236.

². As the Republic of Korea was established in 1948, the Chosen Housing Corporation created by the Japanese colonial government in 1941 changed to the official name, the Korean Housing Administration under the Central Department of Financial

However, the Housing Fund Operation Law, which was intended to be the primary vehicle to implement a public housing program, did not get into motion. Difficulties followed the implementation of the programs largely because of the shortage of housing funds, foreign aid reductions and rising building costs. Rather than taking a systematic effort to cope with increasing housing needs, the government intervened on ways that actually discouraged housing investment.

Since the early 1970's, Korean housing analysts have emphasized the housing crisis and the need for major housing policy reform. Some have argued the necessity for more systematic state interventions in order to meet the compelling needs of the urban poor for shelters, and suggested a comprehensive housing delivery system through which housing is provided as social service.³ As shown in Singapore, for example, the rationale for that government's willingness to provide subsidized housing to such a large population lies primarily in its view of housing, not just as an economic good, but as a commodity with high social and political value. The Singapore government sees its expenditure on public housing as investment in the social infrastructure of the country

Affairs. Under the First 5-Year Economic Plan in the Park government, it again changed to the Korean National Housing Corporation as public enterprise under the control of the Ministry of Construction in 1962. For more detail, see KNHC. 1992. *Chut'aekgongsa Samsipnyunsa* (Thirty years history of the Korean National Housing Corporation). Seoul:KNHC.

³. They have focused on assessing the effects of bad housing on the social deviance. The key arguments are: Housing is one of the effective measures to achieve some social goals, e.g., income redistribution; reduction of social costs for disease, socialization of marginal urban population; stabilization of existing and potential urban unrest; and mobilization of under utilized pools of human and material resources available in the early stage of industrialization. Hence, government should engage in the provision of housing services to generate such social utilities.

(Lim and Tay, 1990; Pugh, 1984). From the political point of view, accordingly, the government initiated its huge public housing program shortly after becoming a republic in 1965, partly to give its potentially unstable immigrant, ethnically mixed population a stake in political stability. Others advocating less government intervention and more indirect control have suggested institutionalizing the mortgage system and subsidizing the demand side through housing allowances for the efficient provisions of housing services.⁴

Actual housing policies in Korea during the two decades since the 1960's under the authoritarian regime were quite different from these suggestions. Government intervention in the housing market greatly increased, but there was no substantial expansion in government responsibility in the provision of housing services for the urban poor. Home mortgage finance was institutionalized, but it was accompanied by tight control over home buyers' access to the market and suppliers' investment decisions.

Only after the *yushin* (October Reform) in 1972, through which the political and economic system was reconstructed to cope with the situation defined as a national crisis by President Park, did the public sector's role in housing sharply expand. With

⁴. This argument has been provided by a group of researchers advocating free market, focusing on their efforts to explicate how market 'efficiency' is distorted by various government interventions. For them, the market system is the best means of allocating resources and of ensuring that the maximum supply of housing is produced for given input of land, labor, and capital (Heady, 1978:20). Government interventions are necessary only when the market mechanism fails to assure optimal allocations to housing (Burns and Grebier, 1977:103) due to the reasons such as lack of full or at least reasonable knowledge, and externalities to eliminate such barriers. In other words, the market process should not be regulated and supplemented by public sector's activities for other purposes.

yushin, housing plans were restructured through a series of enactments and revisions of housing related laws. Among these laws, the Housing Construction Facilitation Act of 1972 was important to ensuing housing intervention. The act required an obligatory role for government in the formulation and implementation of a long-range master plan (1972-81) for housing supply to improve overall housing service and public welfare. It is focused on the production of housing in a great quantities, particularly on the massive production of *kukminjut'aek* (people's housing). The law employed more redefined policy measures,⁵ but its policy goals of this law were basically the same as the goals of Public Housing Law in 1962, except that it did not particularly limit the policy target group to low-income households.

In order to vitalize the long-range plan, the central government focused on a pump-priming policy by reducing a real estate transfer tax and releasing the various regulations of housing construction. However, by 1974, the government had strengthened its regulation in real estate transactions and building as an emergency measure for the people's economic stability. 1976 saw the resumption of the pump-priming measures in construction industry in 1976 (KRIHS, 1987:11-21).

Based on the Housing Facilitation Act amended in 1977, the government introduced a contractual saving scheme that gives its subscribers priority in home purchases in order to control speculation in real estate. The scheme strengthened the intervention and regulation of the national government by allowing the government to

⁵. The various incentive measures, such as subsidies, a reduction in capital gains tax, and tax exemptions, were employed to promote housing construction (Ministry of Construction, 1989:8-12).

control the allocation of private housing sector. Based on the law, in particular, the People's Housing Fund (PHF) of 1981, was created from various sources, such as government deposits, lotteries, housing installment saving deposit programs, pension funds, etc. Through the PHF, the government was able to expand its role in supplying housing for owner-occupancy. Financial strength was obviously important in determining the ability of any governmental unit to achieve developmental goals.⁶

Housing financial programs expanded as a result of both the growing significance of urban voters and the active inducement of private housing developers into housing production. With the emergence of *yusin* regime in 1972, "easy home financing became one of the ruling party's appeals to the city dwellers. The official party paper adopted . . . a slogan that every household should become a homeowner" (*Choson Ilbo*, January 3, 1973). For this, the ruling party (Democratic Republican Party) suggested the principle of one family, one house ownership. In practice, however, most of the PHF were loaned to construction firms. Therefore, the financial backing of housing in Korea is viewed as a tool for alluring the big housing developers so as to construct the housing type that the government wants (Kwon, 1988:20). About 80 percent of the total individual households' share in PHF were distributed to the middle or upper income groups being more than 400,000 *wons* in the average monthly incomes. The housing problems for low-income households still remain. It was not until an enactment of the Rental Housing Construction Promotion Law of 1984, that equity objective in housing

⁶..course, as Robert Dahl and others have emphasized, the extent of actual influence will depend not only on the financial (and other) resources available, but also on willingness to use the resources to affect others' behavior (Dahl, 1969:37).

policy began to be emphasized.⁷ To promote rental housing construction, the highest priority was assigned to rental housing construction projects in the housing sites developed by the central government, local governments, and national corporations including the Korean Land Development Corporation and Korea National Housing Corporation. A special portion of newly developed sites by the public sector had to be allocated to rental housing projects. In addition, tax subsidies and financial supports were provided to rental housing developers. Fifty or one hundred percent of all taxes except corporation tax was exempted for rental housing developers, and long-term low-interest construction loans were provided for them (Ministry of Construction, 1989:12-14). Nevertheless, these advantages have not attracted an active participation of private housing developers in the construction of rental housing. Rather, as shown in Table 5.1, the number of rental housing constructed has decreased since 1987. A major problem was first that most of the developers participating in rental housing construction were

[Table 5.1] Rate of Rental Housing Constructed

(Unit: %)

1982	1985	1987	1988	1989	Average
2.0	11.5	21.2	16.4	17.8	12.2

Source: Korea Housing Bank. Chut'aekkyongje Deitabuk. 1990:54

⁷. The first permanent rental apartment was the Chunggye Siyong Ap'at'u that the Seoul city government transferred from a long-term rental to a permanent rental system in 1989. However, the first apartment constructed by a permanent rental system from the planning's outset was the Pondong Ap'at'u by the Korea National Housing Corporation in 1990.

construction firms. They were not willing to invest in the rental housing construction that is less profitable than selling apartments. Cash flow was of great importance to them, thus they did not want to tie up their capital in rental housing for a long time.⁸ Second, it was initially designed as a short-term rent system, thus an individual rental apartment house could be sold after five years. The renters had priority to purchase it. However, the selling prices after five years caused a frequent conflict between the renters and the landlords (developers). Many construction firms have even hesitated to sell them to the renters. One private developer says: "We want to redevelop the old rental apartments into the high-rise luxury apartments, and then sell them at a maximum profit to the middle and upper-income groups, and furthermore, it is impossible for us to sell them at the housing prices of five or seven years before" (Chong Han Kun, interview, Nov. 11, 1994). In this process, it is well-known fact that there were protests of renters against the housing developers and the government authorities. Renters required a sale of rental apartments, and construction firms avoided it in the absence of clear rules about a short-term rental housing system (*Kyongnam Meil Sinmun*, May 8, 1992). In fact, there was no independent law and criteria in the construction and management of rental housing (KRIHS, 1990:66-69). Moreover, on October 31, 1990, the recent government announced the withholding of several advantages for the short-term rental housing production. As a result, this lack of coherent policy from government deepened the conflicts between renters and landlords (construction firms).

⁸. For this reason, housing developers favored small or medium cities, rather than larger cities in which land prices were skyrocketing.

The Role of Public Sector in Housing Development

Trend of Public Housing Production

The Korean government was involved in housing construction after the Korean War in 1953. The priority of national housing program in this time was given to the repair of seriously dilapidated houses and, especially in the first few years, to the erection of makeshift or temporary accommodation for war refugees. A more comprehensive housing program was started with the relief program subsidized by the Agency for International Development, and The United Nations Korea Reconstruction Agency while, at the same time, housing with private funds witnessed an unprecedented boom (Hapdong News Agency, 1964:303).

As Table 5.2 shows, between 1953 and 1956 a total of 476,552 houses were constructed, of which 182,046 houses, approximately 40 percent, were built under the governmental and international agencies' assistance and the remaining 294,517 were constructed by individuals. Yet, the amount of public sector influence in housing production since the end of 1950's fell below 15 percent. In the 1950's, loans for building were limited and sporadic, and great difficulties were experienced due to the lack of a comprehensive housing development program and administrative savior fair (Shin, 1990:116-117).

Despite the ambitious goal and strong desire to cope with housing needs represented in the first economic plan and a series of lots enactments, actual performance

during the first half of Park administration was marginal. As a matter of fact, at that time housing was a low priority sector than in following the 5-year plan, and compared to the development of an industrial base and the export sector. As a result, shown in Table 5.2, the public sector was responsible for no more than 12 percent of dwelling construction during the period, and 9 percent of all

[Table 5.2] Rate of Houses Constructed

	<u>Dwelling(%)</u>		<u>Fund(%)</u>	
	Government	Private	Government	Private
1953-56	39.20	60.80	42.00	58.00
1957-61	11.16	88.84	9.45	90.55
1962-66	12.00	88.00	9.00	91.00
1967-71	12.90	87.10	12.90	87.10
1972-76	30.10	69.90	24.70	75.30
1977-81	44.60	55.40	31.90	68.10
1982-86	47.55	52.45	35.20	64.80
1987-88	64.40	45.60	39.45	60.55

Source: Hapdong News Agency. *Korean Annual*. 1962:303; KNHC. *Chui'aek T'ongyejip*. 1983; Ministry of

Construction.

construction funds were used. The Second 5-Year Economic Plan (1967-71) did not pay any more attention to housing than the first. The chief concern of the second 5-year plan was still economic growth and the rationalization of the industrial structure of the economy. The third 5-year plan increased the attention paid to the housing sector, even though economic growth based on heavy industries was the primary concern.

The year of 1972 (October Reform) was the turning point. The public sector share in production increased to about 30 percent in the third 5-year plan period (1972-76), 45

and 48 percent, respectively, in the fourth and fifth 5-year plan (1977-81 and 1982-86)). Since the 1984, its rate has transcended that of private unit. For instance, according to *The Statistical Yearbook of Construction Ministry* (1988), 222,047 total units constructed in 1984 include 114,081 state-developed and 107,966 private houses. Thereafter, public sector's portion increased gradually, while total new construction, both public and private was more than doubled. More than 60 percent of the total units in 1988 were built by public authorities (see Table 5.2).

The establishment of Construction Plan of Two Million Houses under a long-range plan of the Park regime in 1972, in particular, indicated the government's interest in the massive production of small-size dwellings, so-called, *kukminjut'aek* (people's housing) under 26 *p'yong* (equivalent to 914 square feet). Until today, the Korean government has claimed that the small unit-directed housing policy was the most successful case of Korean housing policy. The number has constantly increased since the mid-1970's. However, during the past two decades, the apartment unit between 25 and 30 *p'yong* has increased more in price and quantity than any other units in the people's housing. According to a survey, for the middle-income household in Korea, it takes 20 years to buy the 20 *p'yong*-apartment developed by KNHC when the household deposits 10 percent of his monthly income⁹ (KRIHS, 1987:36). In this situation, it is questionable

⁹. the multiple ratio between an average monthly income of urban residents and housing (25 *p'yong*) price shows another example for the heavy financial burden of housing purchase in Korea (Kim, 1992:22). For example, when the average monthly income of urban residents is 1,120,000 *wons* and the average price of the 25 *p'yong* housing is 1.2 billion, its multiple is 10.0 in Korea (1991), 3.4 in the USA (1987), 4.4 in England (1987), 4.6 in West Germany (1986), and 7.4 in Japan (1989).

whether the 26 *p'yong-kukmin jut'aek* is actually small size dwelling unit. According to *Population and Housing Census* in 1990, the average dwelling size of rental households is 5.4 *p'yong* in Seoul. Households with only one room are 25 percent of the total rental households. Based on this situation, the size criteria of *kukminjut'aek*, 26 *p'yong*, should be modified.

Throughout recent history, KNHC has played a key role as a leading developer of public housing. Although the KNHC, which was created as a public enterprise in 1966, was a separate legal entity, it was kept near-obsessively under state control. The KNHC operates under the direction of Ministry of Construction. Clearly, the ministry is a key decision making entity for urban development, and no decision of any policy or political importance is made by the Corporation without prior discussion at ministerial level.

Since 1962, the Corporation has constructed 408,207 units of which 25 percent were rental units and the remainder were for sale. As shown in Table 5.3, in Seoul 10,450 units (11.6%) were rental and remaining 79,689 (88.4%) were sold for middle and upper income groups. Thus, the emphasis of the KHNC was on the expansion of state-developed housing for sale rather than on the provision of rental accommodation, particularly in Seoul. Even though the rental dwellings produced by the Corporation were distributed to low-income households, these households had to be bought after 5 years. It can also be argued that the rental houses were also built for sale after 5 years.¹⁰

¹⁰. In fact, until 1982 all of the rental houses have been for one year-rent. And permanent rental housing began to construct from 1989. See for detailed statistical data in the achievement of rental housing by KHNC since 1987, KHNC. The *Profile of*

[Table 5.3] Public Housing for Sale and Rent by KHNC, 1962-1986

	Seoul*	Nation
Rental Dwellings	10,450 (11.6%)	102,731 (25.2%)
Dwelling for Sale Total	79,689 (88.4%)	305,296 (74.8%)
	90,139 (100%)	408,027 (100%)

* from 1962 to 1985

Source: KNHC. *Chui'aek T'onggyeip*. 1987:157.

Can one then classify this kind of state-developed public housing as designated for the low-income class? In the light of evidence, the expression "rental housing" is a false description and in fact merely signifies temporary and rental accommodation for the low-income class.

The relative comparison of housing cost developed by different sector examines whether or not the KNHC actually provides low-income housing. Table 5.4 clearly indicates that unit cost by KNHC is higher than average cost of public housing in all years except 1970. It is interesting to note that unit cost by KNHC is even more expensive than that of the private sector in the year 1975, 1965 and 1962.

In Korea, public housing is generally defined as the housing initiated by public agencies such as the KNHC and local government and constructed by private constructors. While private housing is defined as the housing initiated and constructed by private developers. Public housing broadly includes both the rental housing for the urban poor which is mostly initiated by the KNHC or local governments and housing for

Construction and Supply in Rental Housing. 1993.

[Table 5.4] Dwelling Cost of Housing Sector

Unit: Million Won
(Rate of Increase, %)

Year	Public				Private
	Central Government	Local Government	KNHC	Average	
1962	0,125	0,043	0,263	0,103	0,124
1965	0,103 (18)	0,101 (134)	0,371 (41)	0,122 (18)	0,189 (52)
1970	1,308 (1,170)	0,833 (725)	0,350 (6)	2,417 (848)	0,684 (251)
1975	1,853 (42)	2,280 (174)	2,591 (632)	2,417 (108)	2,542 (282)
1980	9,221 (398)	6,349 (178)	9,969 (289)	9,641 (298)	15,085 (493)

Source: KNHC. *Chui'aek Chongch'aek Kaebal Yon'gu*. 1983:332.

sale which is initiated by the KNHC. This concept is different from that of public housing in the United States. In the United States, the poor-centered public rental housing is managed, possessed, and constructed by public agencies, such as state or local governments, with the federal government's subsidies. Strictly, then it can be noted that the public sectors of housing for sale by the KNHC do not play the role as public housing. Moreover, for public rental housing, the local governments and the KNHC never lose by their business for rental housing construction. For example, in 1987, the government subsidy was only 15 percent in the total construction costs of rental housing. Rather, the amount of the security deposit, which is generally paid to the public developers before the completion of housing construction, was 20 percent of total cost (Bang, 1987:88). This profit maintain trend still continues.

Summing up, two broad comments can be given. First, it is questionable whether the KNHC really does serve low-income people. Second, though the ratio of public sector in housing is still less than that of Singapore (accounting for about 85 percent in 1985), it seems to be higher than that of other advanced countries. Direct government investment in housing is not extensive in Western Europe and North America. The notable exception is the United Kingdom, where about half the housing, known as *council housing* or public housing, is provided by local governments. It will be interesting to see if the quantitative growth-directed housing production is effective and equitable in its allocation whose specific problems in Korea are discussed in following section, as compared with Singapore and Japan.

Allocation of Housing: Comparative Perspective

First of all, according to U.S. Commission on Urban Problems (1985:143-151), the most fundamental goal of public housing program is to supply housing at the lower cost for the low or moderate income groups. This scheme involves the supply-side approach to low-income housing problems. Common example is the "public" housing project in the United States, the "council" housing in the United Kingdom, and the public housing program by the Housing and Development Board (HDB) in Singapore. Through these, the governments directly provides low-cost dwellings below market levels for low-income families. An additional example is the rental housing-centered policy as represented in Hong Kong. Even, in the United States, direct housing assistance is given

only to the poor, and there is almost always a means test for potential recipients of such assistance.¹¹ Yet, in terms of the Korean public housing policy, the central government during the last three decades has not realized such general objectives. Rather, the Korean housing authorities have concentrated on the policy of state-developed housing for sale rather than for rent to encourage urban households' home-ownership regardless of income level.¹² Therefore, because of the strong emphasis in Korea on the virtues of home ownership, renting is often thought of as a second-class housing choice (Ha, 1988:12). Under such circumstances, low-income and tenant households find themselves in a situation where suitable housing is more and more difficult to afford.

The Korean government has introduced state-developed housing for sale with a concept of "filtering" in mind. The basic idea is that if public policy stimulated new construction, this would precipitate turnover and a chain of moves in the existing stock, with consequent benefits for low-income groups as their housing was loosened (Pugh, 1980:117-118; Grigsby, 1963). Throughout this process, the Korean government expected that housing which was left behind by middle or upper income group will become available to lower-income groups - just like used cars. If the filtering approach works, people will get improved housing regardless of the value level at which new

¹¹. A rental-assistance program for low-income families was authorized by Congress in 1974. To qualify for participation in this program, a family must have income not exceeding 80 percent of the median income.

¹². Unlike Hong Kong's public housing, of which about 87 percent is rental housing, the basic policy of public housing in both Singapore and Korea is the promotion of home ownership. The rationale for such a policy is that owning one's home increases a person's stake in the country, encourages him to take better care of the environment, and hedges him from the uncertainties of inflation and old age.

construction takes place. In part, this can be seen as a justification for policies which emphasize the construction of middle income housing for sale rather than rental housing for the poor.

However, a more substantive problem is the method of sale used by the government. Alongside a policy that is willing to invest in subsidized housing for all deserving citizens is a policy that insists on the clear identification of the different target groups for public housing. The group qualifications are not the monthly average income criteria of the households but rather their amount of contractual savings. Differential allocation of housing based on the criteria of household income rather than savings may reflect the more redistributive norm of public housing policy, and also contribute to a moderateness of housing price. For example, in Singapore, public housing policy since the 1960's has targeted the lower income groups who needed basic shelter the most. Only families with at least 5 persons and having a combined income not exceeding \$1,000 were eligible for public housing in the 1960's. By providing subsidized low-cost housing to those in need, the government improved the health and living conditions of the workers, thereby increasing their productivity. At the same time, by subsidizing the price of public housing, the cost of living was kept down, which in turn dampened higher wage demands and made labor in Singapore more competitive in terms of foreign investment. However over the years, as private developers continued to concentrate on highly profitable projects for the upper income group, and as Housing Development Board (HDB) developed a creditable and cost effective delivery capacity of supplying housing units, there has been a broadening of the eligible groups for public housing.

Today, any citizen family with combined income of less than \$5,000 a month and not owning-private property is eligible to buy a HDB flat direct from HDB.

As the definition of eligible groups broadened, HDB has had to streamline its pricing, resale, and allocation rule to ensure that the appropriate housing subsidy element goes to the right target group and that every eligible family receives the subsidy only once. In its pricing policy for example, the prices of the smaller flats are more heavily subsidized than the larger flats demanded by the better-earning families. In fact, HDB has reached the point where it has to "wean" those families with higher incomes of the subsidy element. Eventually, only the lower-income classes applying for the smaller home-ownership flats will receive financial assistance from the government. This scheme is aimed at achieving extensive home-ownership, as it was deemed that home-ownership would give rise to a more stable society (Lim and Tay, 1990:99). The HDB had constructed sufficient housing stock in Singapore to enlarge and improve housing consumption. Today about 87 percent of the total population live in standard housing units built by HDB, consuming housing services over and above the minimum considered as necessities of life. In addition, in Singapore about 70 percent are owner-occupiers. This achievement was made possible by the two decades of double-digit growth of the Singapore economy from the mid-1960's to mid-1980's, and a set of policy decisions. Cedric Pugh (1984) notes that one of the factors that contributed to the success of the housing program in Singapore has been an efficient housing authority motivated by the

government's determination to improve housing and living conditions.¹³ Even in his critical paper on housing in Singapore, Pugh (1984:33) concludes, among other things: "public housing redistributes income downward, leading to lower rents and prices than we would expect in privately provided housing..."

Similarly, Japanese housing policy sets as the qualifications for renting public housing, an annual income of 2,00,000 to 3,200,000 *yen* (about US\$ 10,000 to US\$ 16,000) and takes into account the number of family members etcetera. The criteria are strict so that only a small amount of public housing is needed. Those whose monthly income surpasses four times the monthly rent are prevented from renting public housing, and therefore have no choice but to rent private apartments. As a consequence, Japanese housing policy is a means for children, the elderly, and the handicapped to have an easier life (Kensetsu, 1985:152-154).

The identification of target groups for supplying the public housing in Korea is very different from those of Singapore and Japan. The Korean government has developed the housing eligibility criteria based on (1) the amounts of contractual savings (housing installment deposit), and (2) non-ownership of other residential property. In contrast, Singapore based its criteria on (1) citizenship, (2) income ceiling, and (3) non-ownership

¹³. There were two specific roles of the Singapore government in this process (Chua, 1991:29-31). The first of these to be considered is land policy. That is, the Land Acquisition Act amended in 1966 empowered the government to acquire any land deemed necessary to the interest of national government, including acquisition on behalf of private developers if required. The second contributing policy was the creation of a mortgage financial system through a compulsion savings fund, a Central Provident Fund, where an individual's total benefits are equal to his total contribution plus interest credited into his account.

of private property. The important point to argue is that the income ceiling has been excluded from a set of eligibility criteria in Korea.¹⁴

Since most of the public housing is intended to house the low income segment of the population, and accompanied by long waiting list for public units, a maximum household income ceiling should have been imposed on public housing applications to limit potential buyers. Instead, the priority was determined by the contractual savings scheme. This entitles the subscribers to apply for public housing units based on the amount of the accumulated deposits and the length of subscription time in the Korea Housing Bank controlled by the central government. The result of this contradicting criteria is well reflected in the income distribution of some households who reside in the apartment houses developed by the KNHC, the so-called Chukong Ap'at'u (Apartment), in 1984.

As shown in Table 5.5, more than 50 percent of the Chukong apartment units were distributed to the middle/upper income households with incomes above 500,000 *won* a month, while only 0.9 percent were distributed to the households with lowest income. When the housing units developed by KNHC are distributed equally according to the rate of the urban household's income distribution, the equality indicator (A/B) will show "1." However, the equality indicator (1.86) of the middle income households from 500,000 to 600,000 *won* a month was higher than any other households. This means that these

¹⁴. The income ceiling scheme in Korea has been adopted for only two years from 1980 to 1981. But, in August, 1982, the scheme was abolished on the ground of the administrative inconvenience in accounting of individual household's income. That is, it was difficult for the government agencies to identify clearly the official documents for the proof of low-income household.

households benefitted the most from the KNHC. The equality indicator of the families with income of 200,000 won was 0.15, the lowest indicator, reflecting how these groups are least likely to benefit than any other households. Moreover, based on the fact that the average monthly income of urban households in 1984 was 495,100 won (KEPB, 1985:13), the table shows that most of benefits from the state-developed housings were concentrated on the middle and upper income groups whose incomes were more than 400,000 won a month.

[Table 5.5] Household's Income Distribution in the Chukong Apartments

(Unit: %, 10,000 won*)

	Monthly Income									
	Up to					Above				
	20	20-30	30-40	40-50	50-60	60-70	70-80	80-90	90	
KNHC (A)	0.9	3.4	16.8	22.6	23.6	11.6	7.8	4.5	8.5	
Urban (B)**	6.2	12.8	20.3	17.5	12.7	9.0	6.1	4.0	11.0	
A/B	0.15	0.27	0.83	1.26	1.86	1.29	1.30	1.13	0.74	

* On June 1984, U.S. \$ was equivalent to 798 won.

** Urban household's income distribution

Source: Recalculated from KNHC. 1984 *Chukong Ap'al'u Ipju Silt'aejosa*. 1985:54; KEPB. *Tosi Kagae Yanbo*. 1987:78.

Housing Policy as a Means of Economic Growth

Since the 1960's, its primary national development ideology under the

authoritarian Park government was to promote accelerated industrialization. Immediately following the Park administration taking office, it committed itself in housing construction as an integrated part of economic development strategy.

The Korean government has made many efforts to link employment and housing. This is because that housing fosters the development of other industries, such as the production of building materials, not only for dwellings but for all types of construction.

Construction work seems to be a classic route into the labor market in developing countries. Housing building requires a high ratio of labor to capital. In fact, a fourth to third of labor engaged in all manufacturing industries are employed in building industries, and they influence levels of economic activity (United Nations, 1963:13-38). Moreover, the construction industry contributed to a great deal of the formation of actual capital throughout the establishment of housing, industrial facilities, infra-structures, and national urban land development. Construction capital in Korea was rapidly increased with the Vietnam War in the 1960's, the express-way construction, and the expanded activities of the Korean construction firms in Middle East countries. However, by the end of the 1970's, the Korean construction firms had to return to Korea with the drop in the volume of work due to the Middle East's economic recession and experienced serious financial pressures.

The Korean government provided the opportunity to launch them into the domestic market. The central government consistently placed an emphasis on providing housing through vitalizing private construction firms. Consequently, apartment building by the private developers reached the peak of the boom under the active support of the

government. Most construction firms were concentrated on apartment building work to generate high profits in the short run. Even before apartment houses are completed, developers invite applications for sale and receive in advance more than half of the selling-price from the purchasers. According to Article 11 of Housing Construction Facilitation Act, once a 20 percent work in progress in apartment construction is completed, the purchasers are required to prepay 20 percent of a total apartment price on a contract deposit and 60 percent of the total price on a middle-term deposit within the next two months. Even, the developers have attracted middle or upper income classes by naming the apartment houses "Mansion" or "Villa."

Because construction industry is relatively labor-intensive and enlarges the labor pool, the government recognized the necessity to animate the domestic economy through large civil engineering and construction projects. The central government encouraged building in the underdeveloped area of Seoul, in response both to pressures from the housing industry, and to the political attraction of promoting the population dispersion from the dense old residential districts north of Seoul and providing benefits to the emerging urban middle class. Through this process, a wide variety of the large developers became concerned with issues of housing development. The government enabled the large developers to enjoy several privileges including tax advantages and financing. The prevailing mode of operation of these firms has been to acquire land in exchange for a couple of flats in the apartment building to be constructed. Once the problem of acquiring land is solved, suppliers' credit could be used for construction materials. The remaining building costs could then be covered by marketing flats from

the ground up in a piecemeal fashion on an installment. In this time of apartment boom, most of flats was sold before the apartment house was finished. The profitability of such an operation indicates that housing building was considered the most popular business of construction firms. However, the reliance on the private developers to vitalize the economic boom made little headway on the objective of shifting private investment from luxury or middle-class dwellings to smaller and less expensive units that would better serve the housing needs of the city.

According to the Korean Construction Association (1991:15-17), during the period of the last five 5-year economic development plans (1972-1989) the annual increasing rate of construction was higher than that of GNP, taking the initiative in the Korean economic development. Construction has been viewed as one of the primary industrial policies in relation to economic development. More importantly is that the housing sector shows the highest growth rate among all kinds of construction sectors.¹⁵ Calculating it with the area of land for construction, as Table 5.6 indicates, housing covers more than half the land used for all construction.

I argue that the Korean government used its housing policy as the significant instrument for domestic economic growth because housing construction is more labor-intensive and less import-intensive. Housing construction usually creates employment at about the average rate for all investment, and creates it near home where people want

¹⁵. According to a report of United Nations (1984), in 24 selected developing countries for which data are available, residential construction on average (unweighted) accounts for 38.2 percent of total construction. In the same year, Korea indicates 37.8 percent.

it.

[Table 5.6] The Rate of Housing Land in Total Construction Land

	1972	1976	1980	1984	1986	1989
Total(1,000 m ²)	8,701	17,985	25,727	39,563	43,543	88,615
Housing (%)	52.0	52.8	49.4	53.9	51.7	53.6

Source: Ministry of Construction. *Konsol Tongye Yon'gam*. 1987 and 1990.

Support for housing-construction investment would satisfy the World Bank's recent demand for "increasing the demand for labor of the poor through government support for labor intensive productive activities". Accordingly, the Korean government believed that to encourage the big housing programs is to stimulate general economic growth, often including industrial growth. This policy intention of the government gave rise to the apartment construction boom in urban areas. In particular, such a construction boom in Seoul in turn contributed to changing the residential structure of the city.

Government Intervention to Control Housing Prices

Real estate is frequently viewed as one of the safest forms of investment, as a hedge against actual or anticipated inflation in virtually all countries, and it is acquired by investors not with its physical use in mind but rather as a form of security against economic uncertainty. Home-ownership and in particular, more generally ownership of all real estate, was a good alternative as a means amassing wealth in a period of high

inflation. Therefore, people tended to invest their money in housing or land rather than in other goods or financial assets, which drives up the price of housing.¹⁶ On balance, then, the inflationary forces that tend to drive up the price of housing are stronger than those that would drive it down (McGuire, 1981:55-56).

The land and housing market attracts capital. Government intervenes in the market to redirect the capital flow. The tendency to restrict private capital flowing into the housing sector dominated the housing policy occurs during the Park administration period of the 1960's and 1970's. Many countries have established a regulatory and taxation system which discourages this form of investment in land and housing. One of the typical efforts of the Korean government in housing price control was an anti-speculation measure of real estate.

Speculation in real estate began to emerge from the end of the 1960's with the construction boom accompanying rapid economic development and urbanization, and reached a climax in 1978.¹⁷ It is necessary to examine how the Korean government

¹⁶. For example, the 5 year-holding profit ratio in financial assets and real estates was as following: the profit ratio of land is 94.5%; housing site 108.0%; listed stock 34.4%; a personal loan 33.7%; a company bond 18.5%; and a fixed deposit 13.3% (Lee and Choi, 1991:71-76).

¹⁷. In order to increase its support in the sixth presidential election, the ruling party, the Democratic Republican Party, committed to construct Seoul-Pusan highway as its campaign promise in Changch'ungdan Park on April 4, 1967. As the campaign promise was linked to the official project of the Park administration on December 1, 1968 and the route from Seoul to Suwon as the first section of the projects, Maljookgori located in the southern area of Seoul was established as the first exit of the highway, and as a result, land price in the southern area began to skyrocket (*Choson Ilbo*, June 2, 1981). On the other hand, the speculation in apartment was at its peak with the sale of Moakwha apartment in Yeoido in 1977 (*Choson Ilbo*, May 28, 1981).

coped with the problem of growing housing prices without halting the pace of economic development which caused price inflation, and to evaluate its outcomes during the Park Administration. The Korean housing policy development during the last three decades was a locus of the Korean government's efforts to attenuate negative impacts which the chronic house price inflation had on the economic development. For the acceleration of economic development, capital was mobilized for investment in the primary industrial sector at far greater rate than that of domestic savings. This resulted in the high rate of inflation. Spatial concentration of capital investment was followed by a high rate of urbanization. Expanding economic activities in urban areas coupled with a highly limited supply of land caused a high rate of land price inflation in urban areas.

Residential land prices in real terms increased by more than 4,372 percent between 1965 and 1982 as compared to 605 percent for the consumer price index (Korea Appraisal Board, 1982:59-60). Consequently, the relative share of land in the overall housing construction cost has increased rapidly. In the Seoul metropolitan region, land cost became three or four times of cost of the house in the more accessible areas. According to Koh (1983:53), "land (cost) amounted to about 64 percent of the initial costs of a conventional single-family home (a 43m² dwelling on 132m²) and 38 percent of the cost of a five-story, walk-up apartment unit (a floor space of 43m²) in 1980, as compared with 25 and 9 percent of the cost in 1963 respectively." This is surely one of the highest land cost ratios in the world. The rising price of land has, in turn, retarded housing construction activities and reduced opportunity of access to housing ownership for non-owner occupiers. The evidence for this reveals that the ratio of housing shortage

increased 18.7 percent to 23.5 percent during the period of 1965-1979 (KRIHS, 1982:200). This is especially detrimental to the attempts to provide housing for low-income groups. Instead, most of the new buildings in both private and public sectors were inevitably concentrated on high-rise apartments for middle or high income groups.

The first instance of intervention to restrict housing investment was a series of actions taken in 1968. The Park administration restricted the money flowing into the non-productive sector, especially the housing and land market. Through the Real Estate Speculation Control Tax Law, a high tax was imposed on the return generated from house price inflation except the case of owner-occupation. The Bureau of National Tax traced the income source used for home purchasing. If it were not the purchaser's personal income, a high gift tax was imposed on it. Although these measures coupled with tight control over bank loans proved to be effective in frustrating housing investment, they made it difficult to resolve housing problems.

Despite the careful control of government over the housing and land market, the real estate market heated up in 1978. Land and house prices sharply increased. Speculation rushed into the market. The relentless sale and resale of houses and land gave rise to the price escalations of land and houses. An average single family house of 15 to 22 *p'yong* (equivalent to 540 to 800 sq. ft) cost 13 to 21 million *won* in Seoul.¹⁸ A similar sized apartment costs slightly less, ranging from 12 to 15 million *won*. The real

¹⁸. This housing price presents a striking contrast to that of Singapore. For example, the selling price of a typical three rooms flat of 660 square feet was S\$10,200 (equivalent to about 5 million *won*) in the end of the 1970's (Lim, 1984:324).

problem was that increases in household income in Korea fell behind those of housing prices. Between 1970 and 1977, housing prices increased by 364 percent, 1.6 times the GNP deflator and 4.5 times that of household incomes in the same period (KRIHS, 1979:108). In the case of low-income groups, the situation was worse in the indicators of housing price in relation to income, and the rise in housing price in relation to increase in incomes. Another indicator of the housing burden is the rent/income ratio. According to a sample study (Chong, 1980:36), the percentage of income paid as rent by areas was: Seoul (31.5%), other large cities (24.6%), small and medium cities (17.5%), industrial cities (22.1%), farm areas (8.8%), and all country areas (21.4%). However, the real burden of housing is much heavier than all of these ratios illustrate because, there is no true mortgage financing for dwellings in Korea.

The Korean government took actions to cool down the housing market. Special measures aiming to prohibit speculation in housing and land hoarding were taken on August 8, 1978. The measures, so-called 8.8 Measures, were similar to those enacted in 1968. The 8.8 Measures consists of two sets of interrelated regulations. One is a real estate transaction control measures and the other is a capital gain tax. The first measure contains three factors: first, any land transaction within the designated areas of "speculation" must have government permission: second, in the case of other areas, the transaction requires a simple registration: and third, the land registration system is strengthened by a tighter control system.

The second measure was the establishment of Special Tax Law which consists of real estate transfer income tax and vacant land tax. In the case of individuals, the transfer

income tax rate is 50 percent for land held for more than two years, 70 percent for less than two years and 80 percent for non-registered land. For corporations, the rates are 25 percent, 35 percent, and 40 percent respectively. However, a reduction of half is made when the land is sold to the Korea Land Development Corporation. One peculiar feature of the system is that holding land for a shorter period pays higher tax rate. It can thus be understood why the government wishes to slow down the short-run speculative transaction. And the amount of transfer tax as a tool of housing policy is either exempted or considerably reduced if the dwelling size is small or the land is sold to public agencies such as KNHC. These measures have been used as a part of the policy for the recovery of the housing construction cycle.

The national economy sharply declined from the end of 1978, worsening after the second oil shock in 1979. In that period, the ruling party thought that the Special Tax Law negatively affects construction industry by causing the slump of housing and other building constructions. As a result, the stiff regulation of construction was significant causes of Korea's economic recession. The party suggested to amend the law to facilitate a quicker economic recovery (*Choson Ilbo*, March 7, 1980).

The government priority on economic development acted as a serious obstacle toward effective implementation of the government policy on anti-speculation. Minister of Economic Planning Board in September, 1980, announced the new measures for revitalizing the domestic economy which focused on reducing the transfer tax in land and housing (*Choson Ilbo*, Sep.17, 1981). In the following year, the government also lowered thrice the rate of interest and took new measures toward housing demand acceleration,

construction promotion, and the construction market revitalization. However, 363 *dongs* (precincts) and four apartment districts where the problem of speculation has been the most serious throughout the country were completely excluded from the special control areas for anti-speculation. The government measures did not change much, and real estate speculation was again on the rise by 1982.

Park Hung-Sik (1984:91-92) claimed that government intervention for anti-speculation was just *ex post facto* measure¹⁹ and that the speculation was approved tacitly by the authoritarian Korean government. Forces, such as developmentalism and authoritarianism, dominated the political and economic ideology during the Park administration period, acted with non-decision making (Bachrach and Baratz, 1962). In particular, the corruption of government officials due to the closely related chain of politics and private corporations showed a rash of non-decision making. For example, in the case of "Event of Special Sale for Apartment in Seoul" in June, 1978, 190 top public officers including two vice-ministers, three assistant secretaries, five former ministers, two former vice-ministers and six congressmen, were implicated in the case (*Dong-A Ilbo*, June 4, 1974). Furthermore, among 15 public officers in the Economic Planning Board included a few policy makers played as major actors in the anti-speculation policy (*Dong-A Ilbo*, June 4, 1978). Another important fact was that the growth of many corporations ceased and some came close to bankruptcy when the boom

¹⁹. For this, Park (1984:92) suggests two reasons: first, the policy problem of anti-speculation was greatly limited in the stage of institutional agenda formation because of its negative effect to the domestic economy. Second, in order to revitalize economic depression, the government was concentrated on construction market.

in construction ended (*Choson Ilbo*, April 1, 1978).

Housing For Middle Class

In general, housing policy has been concerned with both the size and quality of the housing stock (the supply objective) and its distribution (the equity objective). The supply objective is concerned with producing an adequate level of investment in housing, while the equity objective relates to the distribution of that investment.

The low-income housing problem in Third World cities is essentially a supply problem. The failure of the overall supply system raises housing prices and thus cuts off part of effective demand for housing. It is often noted that the national policy in Korea placed primary emphasis on industrialization for economic growth, and secondary emphasis on the improvement of quality in housing stock. As discussed so far, the mounting housing shortage, overcrowding, substandardness, and the rapid escalation of housing prices are clear indications of worsening housing problems in urban Korea, especially in Seoul. The common feature among them is the continuously rising prices of housing. Most of the increases in housing costs has resulted from excess housing demands, but equally responsible is the increase of the land cost. In spite of the high growth rate in real incomes during the past thirty years, the discrepancy between housing price and effective demand, on the one hand, and between housing service costs and affordability, on the other, is getting wider. This was especially detrimental to the provision of low-income housing. At the same time, the dwellings owned by the middle

or upper classes have increased in size and quality, whereas the supply of dwellings accessible to the urban poor has slowed down. This led to a situation where the prices of smaller houses and the rents for leaseholders increased quickly, and placed a much heavier burden on low-income households in terms of overcrowding and affordability. They was caused by the market failure of Korea's housing policies.

Traditionally, Korea's housing policies have been based on the market-oriented instruments, and its housing supply policy, concentrated on ownership, was to provide the indirect benefits for tenants by what is referred to as the "trickle-down effect" or "filtering." The government believes that the poor may share proportionately in the benefits that are generated by new housing, even if the housing units are not built specifically for the poor. The question arises of how appropriate is the reliance of housing policy on the process of "filtering-down" as the best means of improving the quality of housing available to those of lower income. Is used housing the same as used cars? The principal criticism of "filtering" in housing is that when the unit is of reasonable quality, it does not filter-down to those of lower income (Ferchiou, 1982:167-176; Fuerst, 1974:13). Turner (1973) wrote "In cities that have been swollen by large influxes of rural migrants, there is little filtering down of the housing stock" (quoted in Ferchiou, 1982:168). It may be concluded that downward filtering is taking place if the quality of the dwellings decreases as the sequences of moves become longer (quoted in Raanan and Weitz, 1981:63). However, in the Korean housing situation where the value of housing has been skyrocketing, the "filtering down" effect is nowhere to be found because the land itself bears more than half of the total price of the house. In fact, no

one has been able to demonstrate that "filtering strategy" in Korea encourages distributional equality.

In the capitalist societies, urban middle and upper income classes consume a vastly disproportionate share of housing resources. The provision of high standards for those who are prepared to pay for them is desirable but they should not be so high that others are deprived. The right to own real property is, of course, recognized in some way in every society. This is especially true of home-ownership, which despite ideology or economic system is ubiquitous (McGuire, 1978:51). Even in the socialist countries, where land has been nationalized, there is extensive home-ownership at rates that exceed those in many of the market-economy countries.²⁰ Home-ownership is not restricted to the developed nations, but is the majority form of tenure in less developed countries as well (Kemeny, 1981:41-61). Looking at this situation, governments have been nearly unanimous in encouraging the home-ownership, using various methods but increasingly using financing systems and taxation.

The real emphasis on state-developed housing for sale in Korea, especially the increase in quantity, is due to a growing aspiration of home-ownership by both the government and people. However, the proportion of owner-occupance in the country as a whole has significantly declined from 79 percent in 1960 to 53.5 percent in 1985 (KEPB, 1986:25). This decline was mainly limited to large cities. The home-ownership decline, or housing shortage, is largely due to the excessive housing demand by the

²⁰. By 1971, for example, fully 71 percent of all households in Yugoslavia owned their dwellings, the highest rate in Europe (McGuire, 1981:206-208).

socio-economic changes such as the rapid increase of urban population, breaking up of large families into smaller and more numerous nuclear families, and the increase of household income.

But, more important reason will have to be found in the problem of the Korean government's housing policy. The priority of contractual saving scheme for housing sale has caused decreased owner-occupancy by accelerating speculation. Mortgages on owner-occupied houses are almost unobtainable in Korea through private financial institutions.²¹ As land values have skyrocketed, savings and other sources of finance for home-ownership have become less and less adequate. Accordingly, housing resources are more and more allocated to large and more expensive dwellings. There were not enough resources for smaller dwellings and, low income groups have had to face increasing housing shortages and rising housing costs, leading to less affordability.

Who has benefitted directly from the sale of state-developed housing? Who are the purchasers? One area studied in detail demonstrates that the average income of 'state-developed housing' home buyers is much higher than that for urban wage-earner households. Most belong to the middle or upper income group (Ha, 1991:258). This is also demonstrated by higher cost of public dwellings compared with the private ones (see

²¹. In Korea, mortgage market is quite underdeveloped. No more than 20 percent of total housing fund is mortgage. Cash buying is more common. There is one housing mortgage bank, namely the Korea Housing Bank (KNHC, 1987:56). The interest rate on the KHB's deposits is the same as that on other bank's deposits. Therefore, the KHB has to compete with other banks. The KHB tends to borrow short. On the other hand, the bank makes long-term mortgage loans the interest rate of which is fixed by the government. The crux of the matter is that by not being able to determine deposit's interest rate, the KHB is always in difficulty of getting enough funds.

Table 5.4). The Korean Ministry of Construction (1989:32-41) reports, moreover, that the percentage of the households with public dwelling whose heads' laborers numbers only 17.5 percent, the remaining 86.5 percent are engaged in more stable and better paid occupations such as administrative and professional jobs or services in Seoul. Also, the average household income of the public housing tenants is higher than that of the free market renters (KMOC, 1989:87). From this official report, it is worth arguing that the major beneficiaries of the public rental housing are the middle classes who possessed highly educational levels and stable occupations, and are better-off financially.

In Korea, the concept of public housing as a commodity is shown by the fact that housing prices are not fixed by the government with reference to its own fiscal position, the general economy, and the level of affordability of the different target groups. This presents a striking contrast to the Singapore case that public housing is significantly decommodified.²² The HDB was able to provide housing at substantially lower cost than comparable accommodation in the private market.

The significant difference of housing allocation between the two countries is found in the different criteria of distribution in the public housing sector. Through the criteria of the income ceiling, the Singapore government could distribute the housing with reference to the general economy and the level of affordability of the different target groups. Consequently, the price of public housing was greatly lower than that of private accommodation. For example, the top end of new public flats is pegged currently at less

²². For discussion of the relationship between state provision of social services and the process of decommodification, see Off (1984).

than \$150,000, whereas the lowest end of private high-rise condominium is easily double this amount (Chua, 1991:33).

In another aspect of housing policy, it is also important to ask why the Korean government did not make a real effort to produce rental accommodation for the need of the poor. According to my informal interviews with bureaucrats and the authorities, they gave only a simple answer: "there are not enough long-term capital funds available to produce rental housing" (Interview, July 21, 1993, Seoul). They emphasize that the sale of rental houses produces savings in public expenditures and aids the housing authority finance company by yielding higher profits and faster capital turnover. In other words, the relatively low and slow return from most housing investment is obviously related to the relatively slow development of building technology, and the continuing employment of costly manual methods in the labor-intensive building industry.

The increasing government intervention by authoritarian Korea linked employment and housing development. This effort was political in the sense that, as noted in Chapter Four, economic development was the primary concern for the authoritarian Korean government, and then its achievement was used as an important tool for legitimizing the ruling party's system maintenance during the 1960's and 1970's. The public sector has done a very efficient job in creating a respectable housing industry. However, it has, indirectly perhaps, contributed to the uneven distribution of housing. The policy of Korea National Housing Corporation of selling in the free market state-developed housing, the Korea Housing Bank's policy of relating housing deposits and loans have all contributed to the situation. These institutions were required to act like a private enterprise by aiming

toward higher income groups, rather than the poor, in order to maximize the circulation of profits through housing sale. The bureaucracy interpreted the public's need in terms of its objectives and to its own expediency.

Low-income households have become concentrated in the private rental sector because they have little other choice. Some people have argued that government must engage in direct housing construction for low-income families because housing for such people is not commercially attractive to the private sector. In spite of public housing schemes, more than 90 per cent of low-income families are to be found accommodated in privately built houses.

HOUSING SITE ACQUISITION AND DEVELOPMENT: LAND READJUSTMENT PROJECT

The Postindependence Urban Land Use Planning and Land Readjustment Project

Government initiatives in the field of housing have not been restricted to direct construction. They have also included the control and regulation of the housing market through various means such as town planning and building regulations, rent control and land allocation.

Land is the most important factor in determining the shape of human settlements. Its use and availability are important to effective management of urban development and also urban form. Land is an extremely valuable resource in a crowded and rapidly

urbanizing country like Korea, particularly in Seoul. This situation poses a critical challenge to the Korean government: how to use the land to cope with the rapid urban expansion, and how to provide effectively the required amount of developed land.

The history of land use planning in Korea is fairly new. It can be traced back to 1934 when the Japanese colonial government adopted a law called "Kyongsong Street Subdivision Ordinance" to enable local governments to set aside certain lands for street and other uses. It was the first time that a new concept of land use was introduced to the city, and is the source of modern Korean zoning practices.

In 1962, the national government launched a five year economic development plan that outdated colonial city planning. The law was completely revised with addition of new and broad concept of land use control. The new law called "City Planning Law of 1962" has been effective during the past three decades since then. The planning law has had tremendous impacts on the pattern of today's land use in the cities of Korea in general and Seoul in particular. Almost all Korean cities with a population of over 50,000 adopted some form of master plan for its own particular city, in which lands are designated for various uses through zoning system,²³ and also particular parcels of land are subject to eminent domains by the government. This strong one-way of land use control helped by accelerating the government efforts to develop the country's economy.

Since the Land Readjustment Project was initiated by the Japanese colonial

²³. The Land Zoning Association is composed of the central and local governments and KNHC. With the creation of Land Zoning Project Law, the authority is empowered to designate the location and area of residential land use and to acquire land throughout expropriation or the exchange of other sites for compensation by enabling the Land Zoning Association to acquire the land necessary for the housing building.

government, it has become the major player in urban land development in Korea. In 1966, the Land Readjustment Project Law was established as an independent legal system by separating from itself the City Planning Law (Kim, 1985:317). The land readjustment technique was widely used by all local governments in housing land development. In the 1980's, however, the LRP has been assessed from a different view-point, and their past glory seemed to be slowly diminishing, as the recent government policy moves towards the public-purchase method.²⁴ This tendency runs parallel with the central government's involvement in urban land development under the provisions of the Residential Land Development Promotion Act of 1980. The change in the land development method was caused by some critical remarks on the performance of the past LRPs, as shall be discussed in the later part of the section.

²⁴. This so-called "Public Development" is a method of land development where public authorities bear directly all the responsibility for the purchase, development, sale or rent of the land. This tool is designed to keep housing costs and ground values at a reasonable level. Public authorities are able to guide urban development, and also have the opportunity to plan for the future in a rational way, since the timing of the various development and construction steps can be clearly determined. The detailed analysis of the method is, however, excluded in this study because it has nothing to do with the emergence of middle class residential development south of Seoul in the 1970's.

Land Readjustment Project in Seoul

Characteristics and Process Views

During the rapid urbanization in the 1960's and 1970's, the Seoul City Government has launched massive land readjustment projects primarily in order to accommodate the population influx and subsequent housing needs, especially in order to avoid excessive crowding in the existing built-up areas north of the Han River. The programs successfully utilized in implementing the major policy goals embodied in the Seoul master plan. Among other things, the LRPs in the late 1960's were extensively utilized to convert fringe areas on the southern periphery into serviced urban spaces. Unlike the LRPs of the colonial period and the 1950's, which were mostly centered on the improvements of old districts within the inner city, the LRPs in the 1960's emphasized the supply of new housing land by converting from rural land to urban housing land in fringe area of Seoul.

As described in Chapter Three, the basic idea of LRP is that the land-owners collectively develop their own land with their own resources. For example, when an area is ripe for development with two-thirds of landowners in agreement, it is declared a Land Readjustment Project Area. It costs almost nothing to the public authorities. In reality, nevertheless, Seoul's spatial expansion by rapid urbanization inevitably requires some changes in using the lands of fringe area in particular. Therefore, more governmental power may be necessary when initiating and controlling the LRPs.

Moreover, the authoritarian political system did not permit the mass participation in decision making on land development. One study concluded that most of the land readjustment areas were chosen by the arbitrary decision of public authorities based on their particular needs, despite the fact that the project required agreement by more than two-thirds of residents in the target areas (Chong, 1975:191-95).

Land readjustment also involves taking a certain share of the land from each landowner for public facilities, such as roads and sewers as well as apportioning the development costs among the residents (Hwang, 1985:96-97). Initially all lands are appropriated without payment by the local government authority. As the initiator of the project, the government then estimates the total land which is the equivalent of total project cost (total project cost divided by the average unit land value after the development) and land which is required for the public uses, and take away certain proportion of land from each participant landowner for this by using the above certain formula. The land is now divided into three parts: compensation land (the total cost-equivalent land), land for public uses, and returned land. Compensation land (called "deducted land") is sold off by implementing agencies, such as the local governments, on the private market in order to finance infrastructure costs after the development has been completed. The land for public use is kept by the same local government for public purposes such as roads, schools, parks and sites for public housing (called "public uses land"). The rest of the developed land is returned to the land owner at its original location (called "returned land") (Land Readjustment Project Law, 1966).

During the LRP process, local government obtains public facility sites without

spending taxpayers' money. Local government recaptures at least a part of the wealth created by the land development and surrounding urbanization, and landowners obtain subdivided (buildable) land. Although the landowner loses a substantial portion of his original holding in the LRP process, a smaller serviced lot is reallocated to him has a value several times higher than this original larger, unserviced, and unplatted raw land (Doebele, 1979, 1982; Hwang, 1982; Choi, 1973).

Under the Land Readjustment Act, there are four groups who can undertake the LRPs; the individual owner, local governments, KNHC, and the Construction Ministry of central government. However, about 75 percent of the LRPs done until the early 1980's were undertaken by the local governments, as shown in Table 5.7. More than 90 percent of the LRPs in Seoul were conducted by the municipal government (KNHC, 1988:272).

[Table 5.7] Land Readjustment Projects by Various Initiators in Korea until 1984

Initiator	No. of projects	Percentage
Central Government	6	1.6
Local Government	288	75.2
KNHC	17	4.4
Private	72	18.8
Total	383	100.0

Source: KNHC. *Chui'aek Hendobuk*. 1985:78.

The substantive legal basis for the initiation of LRP in Korea is the National Land Use Management Law (Article 3), City Planning Law (Article 2, Section 6), Law on

Promoting Residential Site Development (Article 9, Section 4), and Industrial Location and Development Law (Article 8, Section 3). The implementation procedure is prescribed in the Land Readjustment Project Law. The Minister of Construction designates the LRP area after consultation with the appropriate local government or Central City Planning Committee. Usually the land is owned by the private sector, i.e., individuals or business firms. Local government then prepares a development plan for the designated sites, e.g., an apartment complex. Before the designation of an LRP area, there is a feasibility study of a site selection which covers consistently with the land use plan, the site plan, construction cost estimates, and special problem such as geographical conditions (Doebele, 1982:130-131).

Achievements

In the 1950's, the Seoul city government largely focused on the LRPs of the Japanese colonial government which were interrupted by the political and socioeconomic turbulence of the country immediately following Independence, and on repairing and improving of roads and lands destroyed by the Korean war. For example, according to the Notification No.23 of the Ministry of Home Affairs in March, 1952, the Seoul city government made a decision to expand the existing land readjustment projects. The reason was as follows:

405 acres and 12,326 houses in the central commercial area of Seoul were destroyed by the Korean war. Since this area was not developed by the LRP, it now needs to be decided as land readjustment area in order to revitalize into a planned town

from the ruin and increase utility value of the land.

The continued projects of the Japanese colonial government were actively carried out during the postwar ten years. About 2,000 acres obtained the registration certificate from the city government during the same period. It was 43 percent of the total area developed in the colonial era (SMG, 1977:156).

The LRPs in Seoul since the 1960's were concentrated in the southern districts of the Han River facilitating population redistribution from the highly dense old northern areas to the southern ones. At this stage, Seoul had physically grown by annexation, expanding its territory from 268 square kilometers in 1960 to 627 square kilometers in 1977, the same as at the present time. It has been clear government policy to meet the growth of Seoul with a net land gain of 358 square kilometers. The annexed fringe areas were quickly converted to urban uses, primarily through LRPs, in order to accommodate the rapidly increasing population. However, it has been criticized as a failure due to the consequences of land use plan south of the city, which instead has escalated movement of both people and capital into the city, especially the middle/upper classes.

The LRP has been widely adopted by many Korean cities in their development and expansion. In Seoul alone, 68 land readjustment programs have been implemented from 1937 to 1980 and the total area of land developed in this way amounts to 30,155 acres, 20 percent of the total area of the city. However, if we compare it to the city's entire developed area by excluding paddy field, upland, and forest land, the percentage increase approximately to 60 percent. Most of the projects that had been finished in 1980's had also been initiated in the 1960's and 1970's (Hwang, 1985:151). The total

area developed since 1960 via land readjustment amounts to about 50 percent of the total developed urban land of the city (see Table 5.8). Considering the minimum lot size stipulated in Building Law of Korea, the residential plans would be allowed to provide single-dwelling sites for about 430,000 households. It would also be sufficient area to provide single houses for approximately 4.3 million persons, about 66 percent of the total present population of Seoul (6.5 million in 1970). The land developed via LRPs since 1960 is sufficient to house about 3.6 million persons in single dwelling units.

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[Table 5.8] Contribution of Land Readjustment Project in Seoul

Total Area (1975)	613Km ²	100%		
Total Developed Area('75)	194.37	-	100%	
Total developed Sites ('75)	118.62	-	-	100%
LRP (1937-1975) *	112.47	18	58	64
LRP (1960-1975) *	94.45	15	49	65

* This means the residential site development by LRP: for 1937-1975 the total area of the residential site development by LRP was 76.48Km² and for 1960-1975 it was 64.66Km².

Source: SMG. *Seoul's Tonggye Yon'gam*. 1983.37.

Who Gets What

In order to decide how much each individual owner was to pay, the determination of the amount of land (base land) subject to payment for project cost and other public use land should be done first. As noted above, in a normal LRP, the participant landowners pay almost all of the project costs, including that of the land required for public uses. The initiator retains a certain proportion of land from each participant landowner as the

equivalent of the total project costs and for public-use lands. For example, a sample survey in Yongdong Project I of South Seoul (Nam, 1973:28-45) reveals that an individual owned a farm of about 786 *p'yong* (approximately 3,104 square yards). His base land, from which certain proportion of land was to be subtracted for his share of the project cost and other public-use land, was however 806 *p'yong*. About 20 *p'yong* was added to his original amount of land. The added land was a part (about half) of the old road which was owned by municipal or national government before the project was decided not to be used as road any more. The landowner has paid 302.6 *p'yong* in total for his share of the project cost and other public-use land, and his entitled amount of land was, thus, 503.4 *p'yong*. The total payment compared to his original land is 38.5 percent but compared to his base land becomes 37.5 percent. He actually received, however, four subdivided pieces of developed land, 168.7, 150.5, 91.4 and 89.3 *p'yong* respectively. The total amount he obtained actually after the project was 3.5 *p'yong* less than what he was entitled. He was, therefore, compensated in cash for that shortage by the Seoul city government.

In the same project, another individual owned a residential site of 33 *p'yong* before the project. He was to pay 10.4 *p'yong* (31.5 percent of his original land) in total for his share of all costs. Although his entitled amount was 22.6 *p'yong* which was below the minimum size of the residential site specified by Building Law, he received 72.3 *p'yong* in total after the project, 49.7 *p'yong* in excess of his entitled amount. He had to pay for that excess amount to the developer of LRP. However, most low-income groups who possessed land below the minimum size had to sell their lands to real estate brokers

because they had no capability to pay for his added land and, as a result, had to move into other fringe or rural areas together with other tenant farmers (Lee, 1987:219; Chung, 1975:39). The real estate brokers or land speculators also obtained capital gains from the by relatively low-priced land as it begins to increase rapidly in value, then selling it at an increased value.

At the same time, the amount of capital gains varied from landowner to landowner. This is largely due to both the differences of reduction rate and land value after the project. Unlike the case of Yongdong area, the total reduction rate in Jamsil LRP area was 70.5 percent, including the reduction for public-use land, as well as cost equivalent land (SMG, 1974). The amount of land to which the original landowners were entitled was only 29.5 percent of the total project area. Here, it is also significant, as regards equity among landowners, how much value was created for each landowner and how their relative wealth positions had changed after the project. As indicated in Table 5.9, the total land value for six individuals were increased tremendously, ranging from 1.7 to 7.8 times after the project. Before the project, for example, individual F's original land value marked 29.8 percent of the total land value in Jamsil II LRP area, and the share of C was 25.6 percent. But after the project in 1974, the individual C's value increased to 55.8 percent of the total property value, while the relative position of F was reduced 17.3 percent. Clearly this allocation did not treat each landowner equally. Some individuals get more surplus value than others, even when their land is located nearby.

The lands secured by the authorities in recompense of development outlay, so-called, *ch'aebiji* or "deducted lands" are sold at a high price to private developers

through the competitive bids (Kim, 1986:194-95), in order to recoup the total cost of the project after development has been completed. In the process of bidding the *ch'aebiji*, most of the bidding prices were manipulated by speculators and, as a result, the selling price of *ch'aebiji* at the out set could not be decided rationally. In this respect, Chong Yong-Kyu (1975:69) has critically noted the absence of land price control of public authorities in selling the *ch'aebiji* obtained from the LRPs in Seoul: "Seoul city government ignored the public interest and welfare from the LRPs, instead, they was just

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[Table 5.9] Relative Wealth of Six Landowners in The Jamsil LRP

(Unit: P'yong, Won, Time)

	<u>Original Land</u>			<u>Received Land</u>			(b)/(a)
	Size Unit	Total Value*(a)	Size Unit	Total Value Value(b)			
A	281 (6.6)	4,500 (8.7)	1,264.5 (7.1)	139.8 (4.8)	18,000 (4.8)	2,516.3 (8.5)	1.9
B	586 (13.8)	4,500 (18.2)	2,637.0 (14.0)	276.7 (8.5)	16,000 (8.5)	4,272.0 (8.5)	1.7
C	1,237 (29.1)	3,000 (25.6)	3,711.0 (27.2)	537.8 (55.8)	54,000 (55.8)	29,041.2 (55.8)	7.8
D	302 (7.1)	2,500 (5.2)	755.0 (6.8)	134.6 (3.8)	15,000 (3.8)	2,019.1 (3.8)	2.7
E	400 (9.4)	4,500 (12.4)	1,800.0 (9.8)	194.0 (6.3)	17,000 (6.3)	3,298.2 (6.3)	1.8
F	1,442 (33.9)	3,000 (29.8)	4,326.0 (35.2)	697.9 (18.8)	14,000 (18.8)	9,770.6 (18.8)	2.3
Total	4,248 (100.0)	14,493.5 (100.0)	1,980.8 (100.0)		519,723.4 (100.0)		3.6

* Its unit is 1,000 won.

Source: SMG, *Jamsil Chigu Chonghap-Kaebal Kibon-Kaehoek*, 1974:78.

concentrated upon increasing the circulation incomes from the *ch'aebiji* sale." Therefore, the government intended to increase the earnings through the *ch'aebiji* sale by raising the public selling prices as high as possible rather than to maintain a reasonable price. The result was the skyrocketing of land values in the LRP area, as well as in its neighbor area, by inducing the direct involvement of speculators. The rest of the developed land is returned to the landowners involved in its original location or as near as possible. The average ratio of returned land was below 45 percent in the projects undertaken in Seoul (SMG, 1982:38).

The amount of cost-equivalent land depends upon both the land value increments created by the projects and the amount of planned land for public use. Given the total project costs the larger the value increments, the less the amount of cost-equivalent land. The larger the amount of land planned for public use, the larger the total payment of the landowners in kind.

Effects and Critique

As the most dominant instrument in land use planning for residential development in the urban fringe areas, LRPs did provide with no cost at all to local governments a high quality of urban life and successful responses to the problems created by the rapid urbanization. Seoul city government was at the forefront of this development which spread throughout the metropolitan area. The city government used LRP as a vehicle for servicing and rationalizing land delivery at the city's periphery.

In general, land development through the LRP method brought out high quality, and it was so expensive that the development tended to favor middle and upper income groups (Chang, 1986:6-7). Although the LRP method could help local governments gain control over the design and timing of urban growth (Doebele, 1962;11-12) and achieve development objectives (Park, 1973:4-14), the LRP has not been used for such growth management and site design purposes. Instead, it has been used for acquisition of public facility sites. Also, landowners have exercised their property rights without adequate knowledge of the timing of the development or location of other land in land use conversion from rural to urban uses.

Land prices soared in the 1970's and 1980's, particularly in the fringe areas where the city government's land readjustment projects had opened up new areas from development. In Seoul, the average value increase was about seven times. This was more than three times the average when compared with other cities (see Table 5.10). The value of commercial land in the Yongdong LRP area increased thirteen times at the highest price, while the value of housing site only increased about five times in average from 1968 to 1973. Comparing with the city's annual rates, 22.5 and 21.4 percent (Korea Appraisal Board, 1975:73), respectively, during the same period, the increasing rate of the Yongdong land value was much higher. During the apartment construction boom, moreover, values skyrocketed due to speculation in real estates (You, 1993; Nam and Yun, 1983). This high value was never created by the landowners. The newly added value resulted from combined public decisions, including land use change, investments, and the amenity value of the site. Moreover, LRP areas had longer holding periods

between subdivision and building but had less land turnovers than non-LRP areas which had quick land turnover. In this respect, Chang Byung-Moon (1986:178-184) argues that the long length of idling time delayed in supply of major public facilities and urban services and resulted in stimulating land sepeulation.

[Table 5.10] Land Value Increase by LRP in Seoul

City	<u>(A/B)* Value Increase in Land</u>		
	Average	Highest	Lowest
Seoul	6.8	13.1	2
Other Cities	2.2	3	1.5

* A is unit land value after the project and B is unit value before the project

Source: The Korean Ministry of Construction. *Han'guk Tosi Yon'gam*. 1985:111.

Government intervention in urban land development by LRP changed the land from virgin land to residential use and resulted in affecting the urban land price formation long run. As a matter of fact, it is well known in the Korean society that the decision to change virgin land, usually used for an agricultural purpose, into urban land immediately creates the high increase in the price of this land. The increase in land cost was that in the case of a detached housing unit in the newly developed areas such as Yongdong and Jamsil, in 1981, land cost represented 67 percent of the total cost. While for an apartment unit, land cost accounted for 57 percent in the same year (Nam and Yun, 1983:27).

This phenomenon also affects the actual price of housing unit. For instance, the time-series data on apartment house units of different sizes in the Jamsil district of South

Seoul indicates that the annual increasing rate of the Jamsil housing land prices from 1971 to 1987 was 1.7 to 2.8 times higher than the increasing rate of housing prices in the area between 1975 and 1989 (Korea Appraisal Board, 1985:47). On the other hand, the construction cost index for multi-family housing units increased only 12.5 percent yearly for the period 1975-1985 (KRIHS, 1990). Even though the increase of dwelling price is not comparable with that of land prices over the longer term, the figures strongly support the conclusion that the high increase in land prices has definitely been responsible for the high increase in Jamsil apartment-unit prices.

Considering the prevailing excess demands for housing in Seoul caused by the mounting housing shortage, the capitalistic operations of LRPs could not reduce the housing site prices in new housing production. Whether this was the intended result or not, the sheer increase in the cost of housing land commercialized by LRP schemes has been cited as another reason for both housing land speculation and the rapid escalation of housing prices.

Under laissez-faire development, the increase in land values gives rise to a redistribution of wealth from future buyers and renters, to a relatively few landowners and developers. The equity problem connected with the unearned increase necessitates government involvements to correct it. However, even when a public authority has specifically intervened in this process, there are likely to be controversial results. Therefore, conflicts of interest are entangled in attempts to achieve the distributional objectives of government interventions. The argument about how equity is related to the surplus land value created by land conversion is very significant in distributive justice,

as well as to the land cost in the housing production, and the economic feasibility of the project.

From the beginning, the governmental actors intended to give the state a stake in the market by selling its share of the land at the market price. Perhaps government interventions in the LRPs were not concerned with lowering land development cost, or reducing the land cost element in the housing production costs as well. Rather, the government was concentrated in selling the *ch'aebiji* (deducted lands). Certainly, this type of public involvement in housing land markets has demoralizing influence upon the different social groups involved in the distribution of the benefits made by the projects. Therefore, it is hard to say that the city government intervened successfully in the housing land markets, in regards to both the equal distribution of the social benefits secured by the LRP, and in guaranteeing the equal access to minimum housing. The homeless tenants have fallen victim to the huge increase of land values, while even the city government benefitted from a large amount of development gains by the project.

In theory, the LRP is basically relying on the market principle to benefit construction companies, real estate brokers and some middle-class outsiders aspiring for new flats at reasonable price. Considerable quantities of housing sites are sold to speculators who were forced to join the residents association. This was one of the factors responsible for the apartment housing boom that ensued in the LRP districts. Buyers of the flats are mostly outsiders who are interested in the new apartments to be built in the district, or speculators who intended to make a profit out of selling and buying flats in the area.

Accompanying the improvement in the environment and development of big apartment complexes, the newly developed districts transformed into middle-income residential areas inducing very rapid vertical movements among Seoul's inner residents.

Inequalities in distribution are the logical outcome of the capitalist system. Castells expresses more elegantly when he says that "it seems that the traditional inequality in terms of incomes, which is inherent in capitalism, is expressed in new social cleavages related to the accessibility and use of certain collective services" (1978:5). But this is a simple analysis which leaves out many questions relating to the extent to which the state can interfere in the process of collective consumption, or how the disadvantaged can wring concessions so that a more equitable distribution of urban services and amenities can be achieved. It also fails to confront the uncomfortable fact that socialist cities also have significant inequalities in the provision of collective goods and services.

In sum, the land readjustment program is widely considered to be an example of a successful intervention in the urban land market, because it involves only a short-term holding of the land by the public sector and it results in significant improvements. It must be also emphasized that the LRPs have successfully responded to the unprecedented speed and scale of urbanization in Korea in the last few decades, with all the government's resources to meet the challenges. In particular, the projects have done remarkably well in providing urban services to the larger cities, especially to Seoul, in response to the rapid increase in population. Moreover, it could be argued that the very efficiency of the program contributed to urban sprawl during the 1960's and 1970's, since nearly 1,500 hectares a year rapidly converted to urban uses. In this sense, the LRP has been regarded

as the efficient policy tool that was in accord with the developmentalist Korean state's political logic upon which the government authorizes its rule over the common interest of all the urban people as well as of the landowners.

Because of the LRPs' characteristics - the preservation of land ownership and self-help financing - most of the serviced land is returned to the original landowners (they are never low-income groups) after the projects. Therefore, the benefits did not reach the urban poor or tenant farmers. I also cannot be denied that the LRP has contributed to developing middle or upper-income housing districts in specific areas of inner Seoul. Furthermore, all the cost-equivalent lands have been sold to private individuals at market prices based on the principle of capitalism, which doubtlessly exceeded the low-income household's affordability. The evidently improved conditions of the new housing sites after the completion of the land development raised the prices, and this directly contributed to the residential structure in the inner city. Thus, residential development by LRPs severely affected the resident mix of the districts by inducing the infiltration of other population group, mostly middle or higher income classes from other residential areas, and eventually changed the nature and structure of the local housing markets.

In addition, in the domains of such practices, planners failed to facilitate a micro-level of spatial arrangement for the exploding population. Instead, what the Seoul Municipal Government did was that the city annexed some extra lands in the surrounding areas into its administrative jurisdiction at every jump in population. According to this logic, the spatial expansion of residential areas through land readjustment schemes is necessary for the accommodation of population increases in the city. However, it has

been shown that such experiences were nothing more than counterproductive by accelerating further rapid rural migration into new real estate development ventures in the city.

HOUSING POLICY AND UNEVEN RESIDENTIAL DEVELOPMENT IN SEOUL

Overview of the Changing Residential Growth

This section examines impacts of the housing and land development policy and relates them to the changing residential form of the inner Seoul. It attempts to answer these general questions: Why did Seoul's social structure and residential form develop as they did? In particular, what pressures caused residential differentiation in the inner city? How did bourgeois settlement develop in the specific area and attract middle classes in that area?

The most answers to these questions attribute causative power to market forces, or to economic and/or technologic necessities.²⁵ However, the analytical concerns arise from the Korean government's housing development policy which focused on the construction of apartment-house complexes, along with the completion of land

²⁵. For this reason, models of residential change have contributed little to public policy discussions (Clark and Moore, 1978; Moore and Harris, 1979).

readjustment projects in fringe areas of the city.²⁶ I argue that both the nature and quality of urban growth and the city's residential form have been shaped by the interaction between political and socio/economic factors mediated by the authoritarian Korean state.

State housing policy is concerned with a wide range of interventions which, in combination with ongoing market changes, have restructured the system of housing access in Korea. This housing system has had effects and consequences on urban space, but these can only make sense with an understanding of the process involved. The effect of access and of allocation in housing on urban spatial structure is well illustrated by an examination of the concentration of owner-occupation residences²⁷ in certain areas. When considering the rate of owner-occupier in the areas, the focus should be on the spatial differentiation of middle or high income households in that most of owner-occupiers are middle or high income classes. Accordingly, the latter part of the chapter will be focused on how the spatial distribution of the middle and upper class households has changed since the 1960's.

Residential differentiation is often regarded as a counter-concept of concentration, but concentration on an area does not necessarily imply a homogenization of the area

²⁶. The total area developed by LRPs in Kangnam (south of the Han River) is 39.6Km², which is more than 90 percent of the total Kangnam area, and its large scale that is unparalleled in the history of urban land development in the world (Choi, Hong-Joon. 1991: 67).

²⁷. In this study, a residence is defined to be synonymous with "housing bundle," or an array of housing attributes (i.e., housing services), which includes the physical structure, amenities, the surrounding environment, and even the symbolic meanings attached to the dwelling and neighborhood.

since the concentration may also accelerate heterogenization. The concentration of the middle class households in a specific administrative district may reflect the internal similarity within the unit, but at the same time it can accompany within-unit heterogeneity. To further illustrate, the 90 percent concentration of the middle class households in a certain area may bring about social as well as spatial cleavages from the remaining 10 percent. Therefore, concentration is assumed to be a more appropriate term than differentiation or segregation.

As already described in Chapter Three, historically, the developed area of Seoul has always been to Kangbuk (north of the Han River) during the 500 years of the Yi dynasty and almost forty years of Japanese colonial rule. The central area (inner Four Gates) was developed for the compact old residences of the elite, as well as for the government administrative buildings. Usually, such a historical city preserves its architectural structure and its street systems, with later development the new functional structure frequently located just outside of the old city. As a result, the density of the central area is the highest in an earlier period, but the density could decline sharply with increasing distance from the center (Berry, 1972:134-136).

The very first development on the south bank of the Han River was an industrial estate at Yongdungp'o during the colonial era for Japanese war preparation. Several residential areas followed, in the same vicinity, i.e., near the bridge and railway stations. However, until the end of the 1960's, the developments remained clustered around the southwestern areas of the Han River's lower reaches.

With the rapid economic development since the end of the 1960's, the decline in

agriculture, and the increase in manufacturing and construction interacted to have profound effects on Seoul's growth and the South Seoul in particular. As a result, the Seoul population rapidly increased over the 1960's and 1970's, and the built-up area also spread extensively in all directions of the city, toward the north, northwest, and east and south across the Han River. Population overspill had for some time been spreading into the northern hills which were regarded as inferior areas for dwelling, but which, nevertheless, provided residential areas adjacent to Seoul. Confronted with this space limitation of the city, the new government of the Third Republic, in 1963, decided to expand the development opportunities to the agricultural land in Kangnam (south of the Han River). This had a dual objective, one, to mitigate the pressure of population on Seoul by opening up new land and also, two, to construct and develop an ideally planned community in which both government and planners would be able to operate without obstruction from existing conditions. The southern areas of the river began to grow increasingly. As Table 5.11 shows, the Kangnam population and its ratio in the city's total population has continually increased from 17.8 percent to 45.9 percent during the period of 1965-1985. High population density favored the construction of apartment buildings.

All main roads flowed into and out of the old northern city, causing increasing traffic jams. In response to this problem, authorities decided to change the structure of Seoul from one core to several cores. The area south of the Han river was the main focus of this urban planning policy. About half of Seoul's 11 million residents now live there. It has become the haven of the growing and increasingly affluent middle class.

[Table 5.11] Population Distribution Rate between Kangbuk and Kangnam,
1965-1985

(Unit:1,000)

	1965	1970	1975	1980	1985
Kangbuk	3,039	4,172	4,778	4,982	5,219
Rate(%)	82.3	75.4	69.4	59.6	54.1
Kangnam	654	1,364	2,114	3,384	4,426
Rate(%)	17.8	24.6	30.6	40.4	45.9

Source: SMG. *Seoul's Tongae Yon'gam*. 1986:34.

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They live in rows of modern apartment blocks, with carefully tended green lawns below. The southern development has created an imbalance with the old city. The area has attracted a relatively wealthier sector of the population and received a disproportionate share of urban services, such as school systems and public utilities. The rapid development of Kangnam was further stimulated by preparations for the 1988 Summer Olympics. These included new sports facilities, the extension of the subway network to improve intra-urban accessibility, increased business investments, governmental functions relocated to Kangnam, and new public recreational facilities. The most important public investment was improving the water quality of the Han River so that the riverfront could be used as a public open space.

The estimated \$3.1 billion in investment for the Olympic games has played a key role in accelerating this development (*Choson Ilbo*, Sep. 21, 1988). Most of that money flowed into the southern area, where all the major new sports facilities are situated. This process began even before the games were awarded to Seoul by the international Olympic

Committee in 1981. The 70,000 seat Olympic Stadium was completed by 1984 (*Seoul, Nov, 1987*). The Olympic Park created in 1987 contains beautiful grounds filled with massive sculptures from around the world. Next to the park is the athletes' village and the press village, a 5,700 unit housing complex that was quickly sold to new owners at market rates after the Games.

Establishing new settlements was seen as a valuable remedial strategy to redress the congested areas of the city. However, the residential development in the urban fringe brought about a change in the urban growth of Seoul, namely, the spatial differentiation by class in residential patterns. As Seoul's urban area expanded into agricultural land at peripheries, the residential density increased, and the land value soared as competition for urban space intensified. Increasing amounts of land area were devoted to Western-style apartments for middle or higher classes.

The home-building projects of the 1960's and 1970's almost entirely took up available land spaces at the periphery. During this process, housing and land policies greatly influenced the emergence of the middle-class settlement areas in the sense that those policies contributed to moving the middle class into the specific area of Seoul with the large-scale construction of apartments. Residential mobility also acts as an integral factor influencing the formation and change of urban residential spatial structure because households, in general, relocate to adjust their consumption of housing over time.²⁸

²⁸. But not all moves are counted as residential mobility, usually defined as address shifts that do not involve changes in localities. A customary distinction between migration and residential mobility rests on two line of reasoning (Quigley, and Weinberg, 1977:42-45). The first is that migration involves a shift from one local labor market to another and hence is motivated primarily by employment considerations in the move, while

The residential setting focus in this section is Kangnam-gu (or ward), a large apartment complex in Seoul's south side. Kangnam ward, located four to five kilometers south of the city center, has recently emerged (especially since the 1970's) as a formidable commercial nucleus in its own right, laying legitimate claims to being the new principal center of the Seoul Metropolis. This area includes one of Seoul's biggest and best-known night-time entertainment districts. The new-found centrality of Kangnam is part and parcel of a grand strategy in Seoul, in effect for less than 20 years, to remake the city into what planners call a 'multi-nodal metropolis.' As the term suggests, this is an idea to reorient the spatial organization of Seoul so that the city focuses less on the CBD and more on alternative commercial nodes elsewhere. The idea is to relieve the CBD of some of its congestion and ease the burden of commuting for long distance train riders by stimulating the growth of commercial centers closer to where Seoulites live. As in many other large apartment complexes in the city's south side, Kangnam became a setting where new middle-income households have significantly altered and modified the south side landscape. Public and private centers in the area now contain a variety of businesses (night clubs, restaurants, supermarkets, etc.) and several public and private schools that cater to area's new population.

The establishment of such a new settlement was stimulated, no doubt, by the

residential mobility includes shifts that could take place without changes in employment. The second is that normally migration occurs interregionally, whereas residential mobility takes place intraregionally or within a metropolitan area. Thus, residential mobility basically refers to an intra-urban shift in residence. For these reasons, Quigley and Weinberg (1977:45) viewed migration as "productive moving," and residential mobility as "consumptive moving."

massive influx of new migrants which, during the past three decades, doubled the city's population. Facing this urban problem, the Korean government had to make many efforts to facilitate the development of housing complexes and the improvement policy of existing dwellings that have dramatically changed the residential spatial form of the city.

The Role of the State in Residential Development

Housing Development Policy and Spatial Effects

It is universally shown that the expanding housing programs controlled by government have substantial potential for influencing settlement patterns. However, most societies have opted, at least in their rhetoric, for the provision of housing in a manner that will not produce segregation by race, income, or social status (McGuire, 1981:9).

The expansion of public housing has become a key supply-side intervention by the Korean government. The previous section showed that the Korean government played an expanding role in almost all aspects of housing production and consumption. However, in this process it should be added that the state-developed housing programs in turn stimulated the inevitably unbalanced residential structure by class in the inner Seoul. Accordingly, the role of the Korean state is reflected in the spacial patterning of the effects of various forms of intervention in the land and property markets.

In general, housing comprises the major component of the urban morphology of any city, at least in terms of the area covered and materials used in construction. In

terms of overall value, housing may be proportionately less important than commercial real estate because of the locational differential. Nevertheless, the overall value of residential areas can be substantial, particularly if squatter settlements or luxury apartments are properly taken into account. State housing programs can take up a substantial part of overall expenditure even when they meet only a fraction of total needs.

The Third 5-Year Economic Development Plan from 1972 to 1976 resulted in massive economic expansion and growth, and the role of the state was active and extensive in the residential development,³ mainly facilitating development to meet the need for rapid urbanization. The proliferation of policies and laws relating to housing development reflected the government's concern about this issue. The Housing Construction Facilitation Act in 1972 was enacted to alleviate the chronic housing shortage in Korea. The act was primarily applied to the peripheral areas, especially the southern area of Seoul, which resulted in the striking residential development in the south during the 1970's. The Development Promotion Act of Special Districts in 1972 was also focused on the development of the southern area of Seoul, specifically Kangdong ward and later Kangnam ward, encouraging construction of multidwelling housing such as high-rise apartments. These legislative actions of the government led to massive housing development in the periphery near the green belts in the mid-1970's.

At the same time, the Korea National Housing Corporation began to build the large-scale apartment complex, which was first developed in Banp'o - one of the designated apartment districts - with the establishment of the Chugong Apartment Construction Project in 1975 (KNHC, 1992:109-130). Today, it is well known that the

Chugong Apartment complexes, located in the core area of the specific districts, have become an upper or middle class residential area. The effort of the public sector was concentrated in that area, where nearly 80 percent of apartments was public for sale to middle or upper classes in the early 1970's. In fact, most public housing programs excluded low-income groups. Inequality in income distribution among various occupational groups, if these groups are spatially clustered, may be reflected in spatial differences in housing quality. From the view-point of housing allocation in Korea, it is natural that people with higher qualifications and incomes systematically obtain large share of the housing in new state-developed apartment houses. It is also possible that individual wealth would be further accumulated through private ownership of public housing and would lead to social differentiation within the city.

Spatial differentiation of inner Seoul was induced by a shift of state housing investment from the center to the periphery. If the state investment in housing production initiates and emphasizes development of the fringe, then residential development spreads from the Central Business Districts and the surrounding central city to the less developed areas. In developing countries, the city is ecologically segregated into the center which has various social and economic advantages and the deprived periphery, so it is hardly expected that voluntary movement of the middle class to the periphery will take place. For this reason, the state usually initiates and leads urban deconcentration. For instance, Singapore developed massive public housing estates in suburban and rural areas, which generated population deconcentration from the central city to the periphery (Tyabji and Lin, 1989). In the case of Seoul, as housing construction by the public sector has

increased and concentrated in the periphery over time, the urban deconcentration phenomenon appeared in the sense of urban transformation processes. Though the emergence of spatial differentiation within Seoul is caused by the various public goods and services, it is also partially attributable to the geographical shift of the public sector's housing investment from the CBD and the surrounding old residential areas to the periphery of South Seoul.

The share of the public sector's housing supply in total new housing units in Seoul was only 8.5 percent in 1962-1966, the First Five-Year Economic Development Plan, and increased consistently in the following 5-year periods, 12.8 percent in the second economic planning years, 27.5 percent in 1972-1976, 41.0 percent in 1977-1981, and 45.2 percent in the fourth economic plan period of 1982-1986 (SMG, 1989:79). Accordingly, the absolute number of housing units built by the public sector was increasing over the periods. Given these facts, it can be seen that housing intervention of the state in residential development in Seoul was enlarged in both absolute and relative terms. Nevertheless, with respect to the role of the public sector in low-income housing, the resources and efforts of the Korea National Housing Corporation and the Seoul Municipal Government are very limited indeed. The total production of rental dwellings of the KHNC was no more than 10,450 rental dwelling units (11.6 percent of total units) for the 1962-1986 period with the annual average of 454 units. On the other hand, during the 24 years period from 1962 to 1986, the city government produced 127,847 units of which only 5.5 percent were rental units (7,060 units). In addition, according to Table 5.12, the households' income distribution between the public and private sector of

housing is not much different. About 90 percent of the public sector consists of the middle or upper income households. As is often found in public housing programs, the apartment units allotted to low-income groups were filtered up to middle or upper classes. Having higher dwelling standards, the price of public housing provided by the public developers is usually higher than the prevailing market prices. Low-income people, who have the first priority in purchasing the public housing units, though a large number of them cannot afford the cost, often sell the housing units at a substantial premium.

[Table 5.12] Household's Income Distribution in 1986

(Unit: 1,000 Won)

Sector	Up to 400	400-850	Over 1,000	Average
Public	8.80%	65.32%	25.88%	730,000 won
Private	5.65%	66.05%	28.3%	551,000 won

Source: Korea Housing Bank. *Chui'aek Yungja Sili'aegosa*. 1989:68.

During the period of the Third 5-Year Economic Development Plan (1972-1976), 88 percent of public housing was concentrated in two newly developing districts, Kangdong-gu and Kangnam-gu. In both districts, construction of apartments was initiated by KNHC and the Seoul city government in the mid-1970's; both public agencies built 8,139 units in Kangnam ward in 1973-1975, which left no room for the private sector's participation, and 11,700 units in Kangdong ward in 1976, which far exceeded private apartment construction (SMG, 1977:57-59). In later years, the private construction companies took part in housing development, so about 60 percent of the apartments built in 1970-1980 belong to the private sector (SMG, 1981:60).

The private sector was virtually excluded from the residential housing market in South Seoul until the mid-1970's. Therefore, it is possible to draw a closely related connection between political intervention and urban residential dispersion patterns from their concurrence or coexistence. In addition, the simultaneity of increasing public sector's participation in the housing development from the CBD and surrounding old residential areas to the new areas of the South Seoul and residential dispersal is relevant evidence for politically induced spatial residential effects in the inner Seoul.

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Urban Renewal Projects and Spatial Effects

Residential renewal districts in Seoul are mostly squatter settlement areas created by the amounts of refugees from the north during the Korean War, and also by the incoming migrants from rural areas since the 1960's and on. The widening gap between the increasing housing needs and the existing housing stock gave rise to the swelling of illegal squatter houses, the so-called "*p'anjajip* or *p'anjach'on*" in Korean. An official count in 1962 revealed that almost one-third of the entire Seoul population was accommodated within squatter units (SMG, 1966). The issue became notable during the 1960's and 1970's when the illegal squatter problem drew heavy attention with the rapid progress in urbanization. Together with the concern about the squatter settlements, the urban renewal since the 1970's also paid attention to the deterioration of regular housing stocks and commercial districts in the inner city. The renewal activities were accelerated in recent years as a part of national efforts to prepare for the 1986 Asian Games and the

1988 Olympiad.

In this evolution of the renewal activities in Seoul, some aspects of their influence on the spatial structure of the city need to be noted. State-directed urban renewal policies influenced housing mobility and eventually promoted the flow of middle class households from some old districts of the city. Many studies illuminated how the urban redevelopment plans in the 1960's and 1970's expelled illegal squatters from their living quarters, and forced them to resettle in areas distant from the central business district (Lee, 1991:163-177; Kim, 1986:63-64). This essentially constituted a police action. The government's justification for the clearance scheme was that the illegal nature of the *p'anjach'on* encourages disrespect for law and disturbs public order. The squatters disagreed with government point of view and began to protest. "One tenant squatter said, 'I have my job in the CBD, so I have to live here. I must build a *p'anjajip*'" (quoted in Kwon, 1988:26). This refrain led to the state becoming the most visible enemy of the urban poor. To advance their political interests, the squatters created neighborhood associations, joined political parties and worked in campaigns. Their main political objectives were governmental recognition of their squatter communities, increased provision of public services, and the legalization of individual dwellings through the granting of land deeds.

Between 1962 and 1970, about 40,000 low income households were relocated to new areas which had undertaken site and service programs (SMG, 1979:34).²⁹

²⁹. Vexed by the mushrooming squatter settlements (consisting largely of new in-migrants from rural areas), the Seoul city government decided to ameliorate the problem by constructing new towns just across the city boundary. An example of this was the

However, as many studies have demonstrated (Ha, 1990; Lee, 1990; Kwon, 1988), the large-scale removal of squatter settlements from Seoul increased the newcomers' distrust of the government. During the initial stages of the plans, many newcomers were forced to live in tents or in makeshift shelters, without water, sewage and electricity. In particular, they were isolated from their jobs, coupled with the high cost of commuting to Seoul. These problems caused protests of the newcomers during the later stages of the plan. The newcomers rioted and caused considerable damage to government buildings, local police sub-stations. Their complaints centered on the government methods of setting re-negotiated land prices, the heavy burden of higher taxes, and the lack of suitable employment and public facilities within the relocated area (Lee, 1990:109-123; Kwon, 1988:26-29).

In cleared and redeveloped districts, in fact, the predominate housing type changed to middle class apartments. As the renewal project activity progressed, not only the housing prices but also the rents (or *chonse*³⁰) tend to rise dramatically. By the mid-1970's, the average rent for part of an apartment in the proposed renewal districts was in the range of 0.5-1.5 million *won*, whereas it was 4.0-6.0 million for the units in the redeveloped districts.³¹

construction of the Kwangju Tae-Danji in Songnam (see Lee, 1990: Chang, 1987)

³⁰. *Chonse* is a type of tenure in the rental sector. Under the *chonse* arrangement, a renter makes a lump-sum deposit (key money) at the beginning of occupancy which is fully refunded at the end of the contract period. The landlords usually invests this fund and interests earnings represent the imputed rent.

³¹. It is partially attributable to the changed pattern of the rental arrangement. In newly constructed apartments, renting the whole unit prevails instead of renting part of a unit.

The dramatic changes in rents are not limited to the units within the renewal districts. It was learned that the rents and housing prices in the neighboring districts are also affected. According to an ad-hoc interview survey of the real estate brokers in the area (Interview, July 25, 1994), the rents in the immediately neighboring districts as well as the districts somewhat remote but with similar housing characteristics rose approximately 3 times from 0.4-0.5 million *won* per room to 1.1-1.5 million *won* per room on the average in the end of 1970's. The reasons for these rapid change in housing prices and rents are attributable to several factors:

(1) obvious betterment in the physical quality of housing in the area and subsequent inflow of new demand from middle income housing districts.

(2) changed way of rent: renting of whole unit whereas partial rent was the predominant way of leasing before.

(3) reduction of affordable housing stock for low income population by demolition and renewal, and the tightening of that particular segment of housing market.

These findings clearly indicate, among others, that the previous inexpensive housing market for marginal, low income class transforms into a part of regular housing market for middle income households. The situation is clearly shown by the income levels. The average monthly income for households in proposed renewal districts was 254,000 *won* while it was 385,000 *won* in completed districts which are even higher than the average of 368,000 *won* for the entire city of Seoul, in 1982. As the case of Keomho district demonstrates, the reason is that the original inhabitants in redeveloped districts comprise only 19 percent, and the remaining 81 percent were middle class new comers who arrived after the completion of the renewal projects (Hwang and You, 1988:110-11).

It is difficult to see them as either squatters or low-income group. Most of the former squatters, in fact, sold their priority ticket to others, especially house brokers at a small premium and then had to move from the area because of heavy financial burden.³² They did not have permanent high-paying jobs and had to rely on daily employment opportunities.

The central government's response against the illegal houses was enacted full-scale with an establishment of the Special Temporary Act for Housing Improvement Promotion in 1973. 1973 was the year that the dictatorial power of Park's government was extremely prevalent in all policy areas after the October Reform of 1972. The government created the "Special Measures" against newly emerging illegal houses under the president Park's direct supervision and controlled the creation of illegal houses by using an aerial survey in every month. The illegally built shacks were demolished under the name of redevelopment and the city beautification.

In the early stages, the renewal projects were mostly financed by the state. However, because of the financial limitations of the state, only 8 percent of the total illegal houses in Seoul were redeveloped by the early 1980's. This financial limitation forced the government to change its financial approach for renewal projects. In the end of 1982, the government introduced a new redevelopment project known as the Hapdong Redevelopment Project (HRP), instead of the conventional redevelopment program,

³². Much of the studies on the topic of urban renewal projects in Korea have noted that most slum dwellers could not afford to pay the minimum price for the purchase of new house units constructed by the renewal project nor could they pay the monthly subscription fee for the maintenance of the apartment (Ha, 1990; Lee, 1990; Hwang and You, 1988; Lee, 1975).

which promotes private provisions in squatter areas. Formally, the managerial corporate method was used by leading the big construction firms' capital to the project. The new project was initiated on a voluntary basis by organizing a housing union with the Hapdong (incorporation) between squatter dwellers and the construction company selected by representatives of homeowners. The most important element of the HRP is to mobilize financing for redevelopment by contracting private developers, and to receive government incentives for promotion of squatter developments by selling illegally occupied public land to squatter dwellers. Although the HRP is more or less different from the conventional programs in the method of drawing the capital to the projects, most of housing units built by the HRP were not affordable by the existing *p'anjajip* dwellers because of the same reasons that the *p'anjajip* dwellers have experienced in the conventional projects.

For residential redevelopment districts, consequently, the implementation of renewal projects brought about massive replacement of households with different income levels. As Engels, argued long times ago in a series of essays entitled *The Housing Question*, published in 1872, the result of this replacement is that the housing problem of the lower-classes is shifted elsewhere. These neighborhood changes quite rest upon the implicit intention of the Korean government. The government viewed the illegal settlements as badly built, "cancerous growth," that perpetuated urban degeneration. The most drastic measures have been justified by reference to the substandard level of living conditions in these areas. Thus, policy has centered on the physical characteristics and conditions of shanty towns, not on the actual needs, aspirations, and overall life style of

squatters as human beings. Moreover, demand for new apartments in renewal project areas exceeded supply not only because they were cheaper, but because they were new and good housing in terms of facilities and location compared with traditional housing. So renewal housing tended to become the preserve of office workers or well-paid skilled workers who had the ability to save considerable sum of money. At this stage it should be noted here that it is "gentrification"³³ *via* redevelopment not rehabilitation as in Western literature. In this perspective, the renewal projects entail the filtering upward to higher income use of a housing unit occupied by lower income squatter households.

Although the housing quality in the renewal projects was improved, and the crowded conditions were relieved, the underlying spatial location did not change in the particular areas. Spatially, the population relocated from a horizontal to a vertical strata, adding new elements of high density surface in the previous *p'anjach'on* areas. Accordingly, the locations of low-income housing, together with the continued metropolitan expansion and emergence of new settlements for the middle or upper classes, created a highly segregated and unique social area of the city.

³³. The term "gentrification" connotes a process which operates in the residential housing market. Neil Smith and Peter Williams (1985:1) define it as "the rehabilitation of working-class and derelict housing and the consequent transformation of an area into a middle-class neighborhood."

Housing and Urban Growth: Residential Differentiation in the Inner Seoul

Typical third world cities consist of the upper class residential area near the CBD and slums in outer fringe areas. While more advanced countries, where the upper and middle class suburban movements have occurred, show opposite segregation by social class, with the suburbs for the rich and the central city for the disadvantaged. For developing countries, it is customary and understandable for the upper and middle class population to prefer to reside near the CBD because social, economic, and cultural assets are heavily concentrated in the CBD, while the peripheral areas provide almost nothing for basic or complex needs. Thus, change in spatial distribution of social class can be an indicator of urban development. Unless the newly developed fringe areas are equipped with necessary services, upper and middle class groups would not move out of the city center.

An important feature of housing is its wider impact upon other areas of an individuals' and community's life. Its conditions have an influence upon health, attitudes, educational and employment opportunities and the quality of life. This reflects that housing is a heterogeneous, durable and essential consumer good and an important facet of residential structure in every modern society (Bassett and Short, 1980:1-2). It is also unequally available to different social strata just as other consumer commodities are. Inequalities in housing conditions are in turn reflected in educational, cultural and economic opportunities. Moreover, housing is a key element in the total environment, affecting regional planning and the attractiveness of cities and countryside. Housing

therefore concerns not merely the individual but society at large. In Korean society, housing type and size have been regarded as the expression and determinant of social class position.³⁴ The process of urban spatial expansion in Korean large cities, in which those with lower socio-economic status tend to move to the city outskirts, is not the same kind of middle-class suburbanization as has occurred in Western cities.

What is changing in the urban form of Seoul over time is, not to speak of the degree of its size and population, the dramatic shift of housing development patterns and industrial facilities from the CBD to the periphery. For example, more than about 50 percent of the total housing units built before the 1950's were within the Four Gates, the oldest northern areas of Seoul (SMG, 1980:43). Now, however, the area has relatively low development activities and migration today. While areas south of Seoul are dramatically transforming and developing because of high migration from the north and outside Seoul, initiated mostly by newly located apartment houses since the 1960's. As Ridha Ferchou (1981:167-176) has found, housing construction, in particular, appears to be highly sensitive to the residential mobility behavior .

Considerable residential relocation to south of the Han River has taken place in this pattern of housing development. The construction of the good single-sized dwellings and apartment houses in quality were concentrated on south of the Han River, especially Yoeuido, Hwagoak, Banp'o, and Yongdong. This phenomenon promoted the social and

³⁴. According to a survey of dwelling consciousness in large cities, the responses of what dwelling stands for were following: living standard (54%), property (30%), and social position (6%). That is, 90 percent of the respondents emphasized the economic character of dwelling (*Hyundae Chut'aek*, 1986:84).

residential differentiation in the inner city by attracting the middle/upper classes to those areas (Lee, 1985:156). For example, Lee Ki-Suk (1980, 1985:154-157) argued that the construction of large-scale new residential areas in the 1970's aggregated the households with similar socio-economic attributes, and thereby accelerated class division based on housing, consequently restricting urban society itself. This gives residential differentiation a much stronger class character (Harvey, 1985:109-124; Diane, 1980:23-26). In a similar vein, Hong Do-Sung and Kim Mi-Hee (1988) also viewed the spatial relocation process during the period after the 1960's as the process of class segregation. In the period after the mid-1970's, they argue, middle-class apartment complexes formed homogenous clusters, and physical segregation emerged more clearly between the middle class and the other working and/or lower classes than it had been. In this respect, residential differentiation in space is interwoven with class divisions, different modes of consumption and the broad field of reproduction of social relations.

Position in this housing cluster may be described in terms of "housing class,"³⁵ a concept developed by Rex and Moore (1967:14-21) and further by Pahl (1970:53-68). Rex and Moore argue that we can talk of the "class of homeowners" in conflict with the "class of tenants." Housing class is not a proper Marxist social class, but it may be a

³⁵. To arrive at housing class, Rex and Moore used Max Weber's (1978:302-307) concept of class. In Weber's language, class need not necessarily be determined by people's relations to the system of production, e.r. as owners of the means of production, or wage-earners selling their labor. It is possible for any common economic interest to make a class, if it gives a group of people similar market situations and similar market interests.

very useful term in the analysis of residential systems.³⁶

The social differential in Seoul's residential location resulted from the new housing styles, including the modern single-sized dwellings and apartments which pull the middle/upper classes. While lower-middle or lower class, because of the limitation in their housing choices resides around the industrial areas or on the fringe of the city. In fact, the Korean government was less successful in controlling conventional housing development. Much of the new housing was apartment units, which had not been common previously in Korean cities. Typically, this process of social differentiation operates through the exclusion of lower income groups by denying them access to certain types of housing. Accordingly, in examining the residential differentiation and its process, a key issue is that "what forces differentiate the access to housing." One argument can be made that the access to housing in modern urban society does not necessarily depend on the market mechanism by demand and supply.

To understand the spatial effects of housing supply in Seoul, it is necessary to look at the construction of new dwellings, the emergence of big apartment complexes in particular (see Appendix 3).³⁷ The establishment of Kongmuwon Ap'at'u (Apartment for public officials) in 1968 with 1,313 units was the initiation for the apartment complexes in Korea (Son, 1983:17). This housing complex was built under Clarence

³⁶. See for the relationship between housing class and residential structure in Korean society, Kim Yong-Hyun (1991).

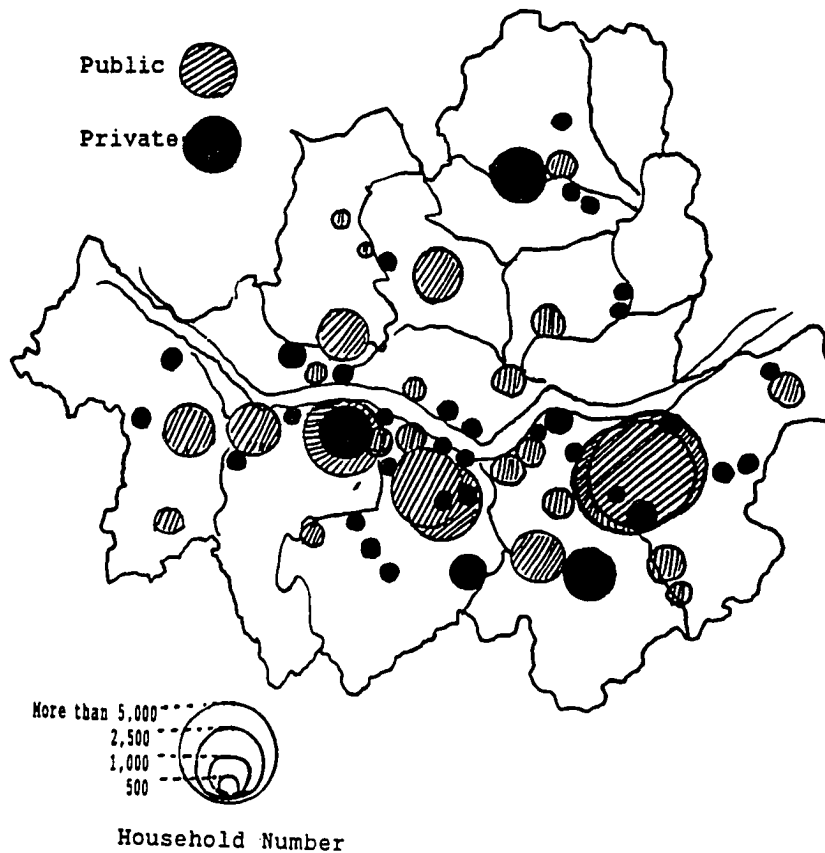
³⁷. The largest apartment complex in Seoul, Yongdong Daedanji (large housing estate), now has 10,500 apartment units.

Perry's (1939) "neighborhood unit"³⁸ development idea. The apartment complex was a relatively large-scale one, with service facilities such as primary school, middle school, department store, post-office, bank and public neighborhood office within the complex. It became the driving force of restructuring the southern residential area of Seoul into the middle class settlement area. Especially, the Hangang Mension, established by the KNHC for the upper classes in 1970, changed dramatically the landscape of the riverside of the Han River. The Hangang Mension was initiated by the president Park's suggestion. He ordered to construct "high rising apartment in the riverside, the gateway of Seoul" on his way to passing the First Han River Bridge (Lim, 1970:59).

Figure 5.1 reveals the distribution of apartment complexes in Seoul built by both public and private developers until 1980. More important implication is that the emergence of big apartment complexes leads to household with similar socio-economic status grouping within the inner city and this consequently contributes to restructuring

³⁸. Perry's neighborhood development strategy, which is based on Ebenezer Howard's garden city planning theory, is that the distance from home to school, play, or shopping in a neighborhood unit should be no more than one-quarter to one-half mile. Unlike the original concept of the theory, the neighborhood development was used as a means for controlling residents during the two World Wars. In fact, Japanese colonial government used it for implementing efficiently the colonial reign in Korea (Ou, 1985). Perry's neighborhood unit has been criticized because of the limitation that its closed characteristic of planning is more or less difficult to be applied to the modern open-city planning. Nevertheless, the Korean urban planners have been extensively using such a promodern approach until today. Actual planning with the neighborhood unit concept has taken two tacks. First, neighborhood units have been used, mostly unintentionally, to segregate racial and ethnic groups into distinct locations. The other tack attempts to consciously mix social class and ethnic groups within a single neighborhood.

[Figure 5.1] Spatial Distribution of Apartment Complexes in 1975



the social and residential pattern in the inner city (Lee, 1980:155-156). Particularly, the fact that most of households in the new dwellings were not low class renters but owner-occupiers encouraged residential differentiation by class.³⁹ From this point of view, the

³⁹. Until 1987, the apartment houses constructed by private and public developers were 424,257 units which represented 35 percent of the total dwelling units in Seoul. About 1,600,000 people reside in apartments. As a result, the construction of apartments has exercised a considerable influence in restricting residential patterns of Seoul.

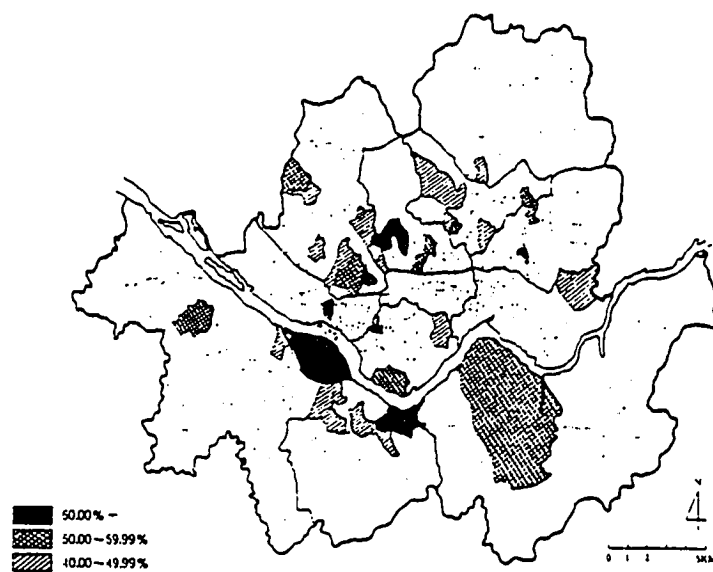
residential differentiation in the capitalist city is expressed as the differential access to scarce resources required to acquire market capacity (Harvey, 1985:118; Giddens, 1973).

Park Yong Kyu and Kim In's (1984:214-216) study also shows that there is a close relationship between the amount of housing supply and the residential differentiation in Seoul during the period from 1975 to 1980. According to their survey, 75 *dongs* (or precincts), about 18 percent of Seoul's total *dongs*, belong to the areas with rapidly increasing (more than 20 percent per year) housing supply and 38 *dongs* to the areas with an increased amount of housing (averaging 10-20 percent per year), while 142 *dongs* mark an absolute decrease in the amount of housing supply. This reflects a residential difference in housing supply in the sense that the housing supply in Seoul was concentrated in the specific areas, while the decreased areas are widely scattered over the whole area of Seoul. Their survey, in particular, indicates that, in the relationship between the housing supply and home-ownership the degree of home ownership concentration in the rapidly increasing areas of housing is highest, when compared with that of other areas.

In the rapidly changing cities, in general, middle income households show a very strong desire to move into the better housing. This housing mobility behavior is evidenced from the observation that the middle income households in Seoul have a shorter length of stay than that of the low income households (Ministry of Construction, 1989:77-78). More importantly, as Grigsby (1963:30-82) correctly asserted, residential mobility facilitates shifts to lead certain areas to improve and others to deteriorate or

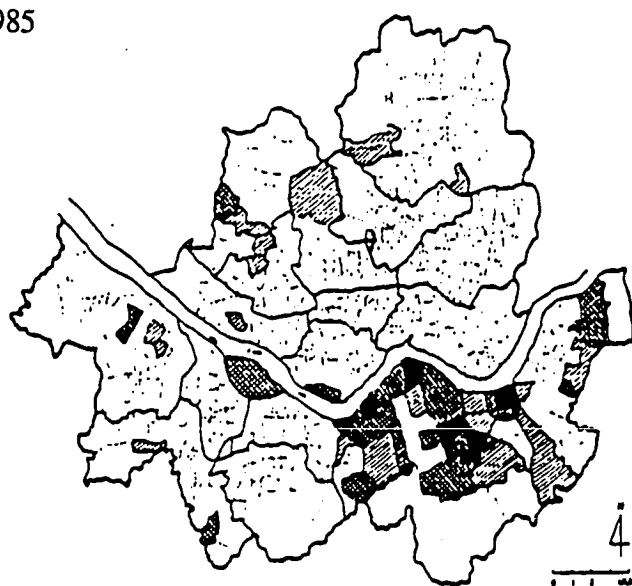
[Figure 5.2] Spatial Distribution of the Middle Classes

(A) 1975



% of the New Middle Class Households

(B) 1985



Source: Hong, 1992:578-579.

decay.

Mapping of the middle class distribution is shown in Figure 5.2. Comparing (A) and (B) of the Figure, there were 34 *dongs* in 1975 where middle class households were numbered over 60 percent on the northern part of the Han River in 1975. It had decreased to 5 *dongs* by 1985. On the other hand, in Kangnam and Kangdong ward the figure increased from 2 to 37 *dongs* with large numbers of middle class households. In short, the northern part of the Han River, where old settlements of the city were, had lost middle class residents. This was offset by the gain in the southern part that had been newly developed for business and residential areas including large numbers of apartments.

In 1985, the correlation between the proportions of apartment residence and of college graduation was .723 and the correlation between apartment residence and the new middle class was .678.⁴⁰ Apartment residence also shows a high correlation with the ownership of housing ($r=.681$) and thus, more tenants live in separate dwelling units than in apartments (Hong, 1992:578-85). This trend suggests that the physical concentration of the middle class has proceeded with an increase in scale of the collective housing area. In other words, as Castells (1979:21-22) argues, it reflects the spatial differentiation between residential districts as a spatial expression of social stratification.

⁴⁰. According to these studies (KLDC, 1990:376; KNHC, 1989:65-72), the educational background and monthly income of households in apartment complexes were considerably high and most of them were engaged in professional, administration/management and clerical occupation. The householders more than 80 percent in apartment complexes graduated from college and the middle or upper income households over 600,000 *won* in monthly income represent more than 85 percent.

According to Kim's (1991) finding, the rate of home-ownership in an area is closely correlated to the number of apartment unit ($r=0.82$). The highly dense apartment areas shows the high rate of home-ownership. In Seoul, the rate of apartment building rapidly increased from 3.5 percent in 1965 to 32.6 percent in 1988. It reflected the scarcity of available land to build single houses in the city and the change of preference by households, especially the relatively young and more educated groups. More interesting is that more than 80 percent are located south of the Han River. As Table 5.13 shows, there are more apartment units in the southern wards such as Soch'o, Kangnam, Songp'a than detached dwellings. The southern areas, especially Hwagoak, Banp'o, Yongdong, Jamsil, and Kaep'o are the new residential areas for the middle or upper class. This is because that in these areas, there are many big housing complexes which consequently played a role in attracting middle or upper class households from other districts. These areas are new settlements rapidly shaped by urban development policy like the land readjustment projects of the Seoul city government and KNHC when housing sites began to be acquired and the political actions like two housing development promotion acts in 1972. The intention of public intervention in the urban development policy was, of course, not directed to the choice of different target groups or areas, but the government policy resulted in attracting the particular housing groups into these new areas, thus, directly or indirectly, influencing the segregation of housing groups in the inner Seoul.

In earlier section, I already described the spatial effects and the related land use problems in the process of LRP. As matter of fact, the LRP in the early and mid 1960's

[Table 5.13] Housing Unit by the Wards of Seoul

	Housing Unit			
	Detached Dwelling	Apartment	Townhouse	Total
Chongno	28,646	5,480	2,424	36,550
Chung	22,051	3,025	1,465	26,541
Yongsan	26,254	3,025	4,202	46,725
Songdong	59,150	7,876	11,436	78,462
Dongdaemun	42,941	8,268	8,176	59,385
Chungrang	31,995	2,661	7,989	42,645
Songbuk	60,740	3,389	4,499	68,628
Tobong	41,806	11,306	11,258	64,370
Nowon	34,832	56,453	7,055	98,340
Eunp'yong	41,103	4,243	14,092	59,438
Sodaemun	37,302	8,978	8,228	54,508
Map'o	40,292	8,749	13,266	62,307
Yangch'on	17,695	32,897	21,101	71,693
Kangso	25,994	11,131	16,108	53,143
Kuro	42,959	19,517	16,734	79,210
Yongdungp'o	30,943	24,071	4,463	59,477
Tongjak	18,100	3,171	6,380	52,651
Kwanak	50,439	5,451	11,038	66,928
Soch'o	15,869	50,039	8,870	74,778
Kangnam	12,830	62,650	8,574	84,054
Songp'a	11,813	58,424	4,007	74,244
Kangdong	22,231	46,754	14,534	83,519
Total	735,895	455,802	205,892	1,397,596

Source: KNHC. *Chui'aek Hendubuk*. 1989:67.

did not widely influence the residential pattern of Seoul in terms of the distribution of households, income level and housing supply. Yet most of housing lands created by the LRP in the 1970's were used for building the big apartment complexes in the underdeveloped fringe area of Seoul. It can be noted that the LRP in the 1970's, unlike in the 1960's, greatly affected the residential differentiation in the inner Seoul. The

situation is clearly shown in the income levels. The average monthly income for a household in the proposed land readjustment districts were 22,000 *won*, while the average was 395,000 *won* in completed districts. This is even higher than the average of 368,000 *won* for the entire city of Seoul, in 1982. Such a rapid increase in household income is attributable to the improvements in the economic conditions of the original residents, but the most important factor was the change in occupant mix by the increasing flow of the middle classes from other residential areas.

Generally, mobility of a household is determined by voluntary decision as income and the family life changes. In the districts where big apartment complex projects were implemented, however, people tended to relocate themselves not by their own free will but instead, by the radical housing market changes in the newly developed land and housing sector which were imposed by external forces such as speculation boom and overheated aspirations for better school districts.

Development of New Bourgeoisie Town in Seoul

In the 1970's, there was increasing concern over the rampant and at the same time largely unchecked growth of primate cities and unbalanced spatial development in many developing countries including Korea (Rondinelli and Ruddle, 1979:24-25). As a result, the "new town"⁴¹ was proposed in the South Seoul which remained to be

⁴¹. The new town planning had been initiated with the construction of garden housing complex in the suburban area in the United States and reached the peak in *The City of Tomorrow* of La Corbusier in the early twentieth century.

underdeveloped until the early 1960's. Accordingly, the emergence of new settlements in the areas was a response to the vigorous industrialization drives, which result in an exceedingly rapid population growth since the 1960's.

Changes in Seoul's economy and population brought a sharp residential expansion with apartment construction boom to the peripheral areas, beginning in the mid-1960's. Indeed, until the LRP was started in 1963, the southern areas of the Han River were insignificant in terms of municipal function. The project's completion, however, brought about rapid changes in the areas. The establishment of "South Seoul Development Plan" by the Park government on January 23, 1970, made the southern area of the Han River the market for speculation in real estates. Many private corporations, which made a profit on land speculation since the end of the 1960's, entered into apartment construction by using government subsidies and the infusions of foreign capital to purchase lands in that area (*Choson Ilbo*, Feb.5, 1970). Subsequently, the greatest beneficiaries were private corporations. The game was that the private investors first make a large purchase of land with bank loans and then borrow money again on the security of the land purchased. Many construction companies accumulated their capital in this way (*Choson Ilbo*, April 13, 1980; Chong, 1978:7).

The land and housing market attracted the sort of speculative activity that can trigger off a real estate boom. The speculative purchasing and keeping land out of the market is guided by the speculator's and landholder's expectations of land prices rises relative to holding costs, which in turn reflect the going rate of interest and the rates and tax charges payable on the land minus any income which it yields. What sets speculators

apart from other landowners is that they acquire land primarily for resale and normally have little interest in it as users (Badcock, 1984:213). Rapidly rising land values attracted savings away from more productive forms of investment and reduced the rate of recorded private savings. Rising land values in the Seoul Metropolitan Area exerted strong pressure on urban poor and lower-middle classes. The extreme scarcity of organized financing to purchase residences has made it very difficult for them to purchase their own homes.

By the end of the 1960's, development across the Han River had begun earnestly. Land was acquired, through land readjustment projects, in order to begin construction of the Seoul-Pusan Express Highway at Yongdong. Although land prices immediately began to soar and it was anticipated that a development 'boom' would soon begin as more land used for cultivation was converted to urban uses, in-migration from the north was disappointing, at least until the 1970's.

A series of taxes, based on both the laws of the Development Promotion Law of Special Districts and Housing Construction Promotion Act enacted in 1972, such as anti-speculation tax, farmland tax, registration tax, sales tax, license fee, property tax, and urban planning tax, were exempted for housing developers in the new residential areas and long-term low-interest construction loans were greatly extended for them (The President Secretary Office, 1975:310-311). The government further stimulated the development of South Seoul by renewing the validity of the Development Promotion Law of Special Districts from 1975 to 1978. These advantages contributed much to the establishment of big housing estates in the designated areas of Kangnam during the

1970's. Table 5.14 shows the development of apartment complexes by a variety of private construction firms in the five apartment districts designated by the Act.

The movement of the new middle classes from other wards leads to an enhancement of the socio-economic status of Kangnam ward. The social and economic characteristics provide an important background to understanding the types of residential structure in the city. The ward of Kangnam in the south periphery is the largest ward in Seoul. The ward exhibits a great changes in the occupational composition of residents. Before the development of residential areas for the middle and upper classes, its major occupation was cultivation of flowers, fruits, and vegetables for the residents of Seoul. The socio-economic status of the residents was far behind those of residents in other wards. The numbers of workers having agricultural jobs in 1965 numbered 67.5 percent of the total workers, which had decreased to 1.9 percent share in 1985. The share of professional/technical, administrative/managerial, sales, and service jobs increased rapidly. Together with Chung ward (part of the CBD), the Kangnam ward developed as the major office location in Seoul, along with banks and shops which are heavily concentrated in the two wards. Accordingly, the Kangnam ward was transformed from an agricultural-oriented urban fringe into a good residential area for the upper and middle classes. The location of these new service activities - offices and shopping centers - is a semi-autonomous force shaping the economic life of the city. All of these processes - technological change, capital migration, the location of new firms and service activities - affect the productive basis of the city.

[Table 5.14] Development of Private Apartment Complexes in the 1970's
South Seoul

(Unit: Year, Number of House)

District	Private Housing Estates
Han'gang Apartment District	'71 Chong'an Rivovo Mansion (55) '72 Chut'aekeunheng Pokji (290) '73 Samikchut'aek Tawa Mansion (60) '74 _____ Rux (460) '74 _____ Jumbo Mansion (144) '75 Chongwoogaebal Changmi Mansion (64) '75 Hanyang Cosmos Mansion (300) '75 Life Miju Mansion (70) '75 Samik Wangkung Mansion '76 Samik Ch'ongt'ap Mansion (40) '76 Hanyang Sujong Ap'at'u (83) '77 Samik Pando Ap'at'u (192) '78 Hyundae Ap'at'u (775)
Youido Apartment District	'74 Samik Ap'at'u (360) '74 Hanyang Unha Ap'at'u (360) '76 Samik taekyo Ap'at'u (576) '75 Hanyang Ap'at'u (588) '76 Samik Seoul Ap'at'u (192) '76 Hanyang Sujong (329), Kongjak (373) '76 Life Miju (276), Paejo (242) '77 Life Sambu (866) '78 life Misong (169), Chinju (376) '78 Samik Mokhwa (312), Hwarang (160)
Pnap'o Apartment District	'76 Hansin Kongyong (11,429) '76 Taerim (632) '76 Kyongnam (1,056) '76 Woosong (408) '76 Lotte Sorak (631) '77 Samho (1,264) '77 Kyongnam, Kungjon, Samik
Yongdong Apartment District	'74 Samho Kaenari, Chindalre '74 Hanbo Eunma Ap'at'u '75 Hyundae Ap'at'u (5,561) '78 Hanyang Ap'at'u (2,735) '82 Misong Ap'at'u

Jamsil	'78 Life (2,421)
Apartment	'78 Miju (1,719)
District	'78 Misong
	'78 Woosong (983)

Source: Son. 1990:277-281.

Over 65 percent of the housing construction in the ward was built during the 15 years from 1960 to 1975 (SMG, 1985:99). The northern old central areas had slowed down by the end of the 1960's, while the southern districts continued to grow. In 1984, 90 percent of the households were middle or higher income groups in the southern area, especially the Kangnam ward as against 60 percent in the northern area. Per capita income of Kangnam was 5,892,760 *won* (equivalent to US\$ 3,121), nearly 50 percent higher than Seoul's average (Hong, 1991:). Such disparities attracted more inner-city immigrants and later developed the second Central Business District in Seoul.

The new middle classes (even though the term "new middle class" is a nebulous, controversial, and vague concept) consist of white-collar workers such as the urban professionals, military and civilian bureaucrats, and upper employees of the larger modern enterprises. These emerged as a product of the technological expansion associated with industrialization (Mills, 1951:23).

Here the new middle class is so widely defined as to absorb the upper middle class. What distinguishes this group in the context of the urban land and housing market is that the mandates of their "modern," "Westernized" life style and "respectability" (though not always their income) assign them to the formal residential sector. In general, the new middle classes are different from the old middle classes who have prefer the

form of spacious, suburban style housing - single or two-story buildings with gardens. The introduction of Western culture accompanying a rapid modernization of Korea in the 1970's led to changes in the residential patterns of the middle classes. Middle and upper income families are no longer toward outlying neighborhoods of single family dwellings. This has been replaced by high-rise luxury apartment dwellings that offer modern, Westernized life style for upper and middle income families. This transformation was directly related to changing state policies from the mid-1960's onwards. By the mid-1960's, Western suburban-style residential development for middle classes was already in the past. Instead, two very important pieces of legislation - the Housing Construction Facilitation Act and Development Promotion Act of Special Districts in 1972 - were passed, focusing on facilitating apartment construction in the underdeveloped areas of Seoul and the designated apartment districts in the urban peripheral areas. The possibility of planned construction of a number of housing blocks made high-rise apartment building the typical pattern of middle class housing unit in the area in the 1970's. The concomitant trend toward the peripheral or suburban expansion of squatter residences - although their location is sporadic - being expelled by the middle classes through the renewal projects, constitutes the typical residential patterning of the large metropolis in Korea. Namely, high and middle income groups concentrated in high-rise apartments relatively close to the center of the city and low income groups forming an outer belt.

A high proportion of intra-urban migrants are concentrated in the southern area. Kangnam ward shows that half of its residents moved from other units in the SMA during the 1975-1980. On the other hand, Kuro and Tobong ward, where low income

residential areas are dominate, show the lowest proportion of migrants from the old wards among wards of southern periphery. This situation indicates that most of the migrants to the Kangnam ward are middle/upper classes, if it is believed that the Kangnam ward is now middle-income residential area. As a result, the lower class comes to replace them in the old residential areas of core. The flight of the upper and the middle classes results in the lower educational level of residents in the core. One evidence suggests that the ward of Chung exhibits the highest proportion in the lowest educational categories (less than 12 years of schooling) (KEPB, 1980:32).

With relation to the rapid development of Kangnam, it should be also noted that the inequitable distribution of public services such as education, fire and police protection, sanitary and water services can cause some neighborhoods to decline and others to improve. These services are site specific components of housing consumption, being supplied at different locations. For example, while by the 1960's, dwellers in Seoul were dependent on locating near places of employment, with the increase in household income along with economic development, their locational behavior began to change to reflect the quality of surroundings and children education. This trend was especially remarkable in the case of middle strata, as Table 5.15 indicates.

Perhaps the government policy that has received the most attention as a determinant of residential mobility to the southern area is the movement of the high schools which largely had been largely located in the northern old areas. One of the main reasons for rapid urbanization in Korea is an expectation for better education in cities for their children, particularly in Seoul. Excessive aspiration for education in Korean society,

which has become factor impeding the normal education of high school, has been triggered by middle class parents (Chong, 1988:551). As a result of the equalization

[Table 5.15] Move Motive into the Current Area

Move Motive	Middle Class	Working Class
Better Housing	29%	10%
Surrounding Amenity	20	17
Children Education	16	4
Householder's Job	13	16
Housing Price	7	16
Expiration of Rent	4	21
others	11	16
Total		

* including a branch family and non-response.

Source: Han'guk Ilbo-sa. *Han'gugui Chungsanch'ong*. 1987:54.

policy of high school in 1974, which was focused on the admission of students with no written tests, the parents' concern was to move to "good" school districts and as a result housing price was influenced considerably by the school district. For example, a real estate agent, Kang Il-Ku (1994) said; "it is not too much to say that most of the households in the Samsung-dong of Kangnam moved in their current area because of the school district. Despite the bad transportation facilities in the area, only a reason why they crowded into this area is the location of Kyoungki High School. Accordingly, the rent is higher than any other areas in Seoul and the housing price is also rapidly rising."

The schools located in the Eighth School District of Kangnam showed better performance in college entrance examination compared with other school districts in

Seoul and so this area was favored by parents. As a matter of fact, this ward shows the highest number of apartments in Seoul (see Table 5.13). As a consequence, the price of housing in this ward rises and the dwellings can only be bought by middle or upper classes (Hong and Kim, 1988:522-23). Yet, the good quality of education in the area is not necessarily produced by a cluster of the brand name schools. Rather, it emerged from the concentration of middle or upper class into the Kangnam. This middle class-oriented residential mobility brought about the "School Syndicate" which emerged from the increase in private schools including kindergartens, elementary schools, and middle schools in the area. The middle-income households' excessive aspiration in education made the new high schools of the area the "brand name schools." Especially, the relocation policy of old brand name high schools located in the northern areas, which was implemented as one of the population dispersion policies in Seoul, further promoted the phenomenon. A significant argument can be therefore made that the residential movement into the Eighth School District of Kangnam was the natural result of government policy.

Moreover, the conflict between the classes deepened. For example, a few middle schools located in the borderland of Kangnam and Songp'a ward have recognized a stream that divides the two wards as a turning point of class-based social position and that the higher a number of students on the opposite side (Songp'a ward) of the stream, the lower the quality of the schools (Chong, 1988:552). This consciousness resulted in the major reason that other schools reject the admission of students who live in the opposite area. If the people who reside in good areas benefit from better education, the

social strata estranged from the good areas will experience more difficult upward mobility. Residential differentiation by class may therefore itself be a source of instability and contradiction in society (Harvey, 1985:118).

SUMMARY AND LOGIC OF THE CHANGING RESIDENTIAL DEVELOPMENT

The massive migratory flows from rural areas since the 1960's, focused mainly on the Seoul metropolitan center, generated pressures for expansion toward peripheral, underdeveloped land in rapid fashion and on such a large scale, that the relative location of any particular site in the physical fabric of the city became subject to continuous and short-term change.

Accordingly, this chapter has examined the restructuring of spacial residential patterns in the inner Seoul in the process of urban development along with housing and land development policy. The Korean government provided mechanisms both for capital accumulation in the intensive process of state-developed housing program and LRPs and for legitimacy of the authoritarian regime during the past three decades. These policy tools were closely related to the residential differentiation by class in restructuring the inner Seoul.

The concentration of a number of housing complexes in specified area, which was largely due to the creation of the Development Promotion Act of Special Districts, was used to clear cut the poor and the farmers who lived on the land by encouraging

construction of multidwelling housing such as high-rise apartments. When the new apartments were built in the area, these dwellings were often too expensive for the poor residents of the neighborhood. Both the government housing agencies and private housing developers used the housing development policy as an attempt to bring in new urban bourgeoisie with good buying power. The housing conditions of the poor was a secondary concern. In this process, housing, in particular apartment houses, began to commercialize with apartment speculation boom which accelerated through the development of new bourgeoisie town in town of Seoul. The following phone conversation between a real estator in Kangnam and a customer exemplifies apartment house as a commodity rather than a concept of housing (Choi, 1978:161).

[Do you have 36 *p'yong* apartment house?]

[Yes, we do]

[How much is it?]

[The apartment on the sixth floor is 12 million, ground floor 11 million]

[I want to have the sixth floor one, I pay 11 million]

[Ok, you got it]

The customer did not want to look at the apartment, and the real estator also did not intend to show it. They made a contract with the only phone-call. The reason was simple. The customer bought the apartment not for living but for reselling. The housing price hikes by the apartment speculation boom, which was accelerated with the construction of apartment complexes in the southern area of Seoul, was caused by the frequent changes of housing policy, the short-term eye for the political purpose, and the

close adhesion between the government and construction firms,⁴² and consequently, it contributed to facilitate the residential differentiation by housing class.

In the contemporary urban society, it is true that the access to housing is not necessarily determined under the market mechanism by demand and supply. The shortage of housing in urban society appears in any country. It is also common phenomenon that the governments make efforts with a variety of housing policy instruments in order to solve the housing shortage or to mediate the related social conflicts. From this point of view, the residential differentiation in the inner city must be explained by the interaction between market forces and the state policies. It is important to note how the state policies affect the housing market and housing mobility in terms of policy approach.

The effect of differentiation is a relative deprivation for some classes and relative advantage for others. These relative advantages and disadvantages are often described as transfers of wealth, even if they are not strictly mediated by money. There are social consequences of differentiation in collectively provided urban goods and services.

One may ask the question, why the Korean government favored the middle classes in the process of housing and residential development? The answer to the question provides a clue to understanding residential structure, especially the emergence of new bourgeois settlement south of Seoul. In Korean society, the term "*chungsan'gyegop*"

⁴². As a matter of fact, many apartment units have been omitted intentionally in the official sale list for the purpose of resale. Through this process, the housing developers made the profit-maximization by reselling them. Some of them were provided for the government authorities, who played the role as a key decision-makers in apartment construction work under the authoritarian government. These apartments, as bribes, were again transferred to real estate agencies with premium (Choi, 1978:163).

(middle class) or "*chungsanch'ong*" (middle strata) became a subject of discussion after Park's military regime in 1962 adopted "the middle strata upbringing policy for the whole Korean people" as its economic goal for modernization. It is commonly noted that the middle classes were actually beneficiary groups in the industrial development process during the past three decades in Korea. This reflects that both the state and middle class have existed in a symbiotic relationship with each other. Encouraging the growth of the middle strata has become one of the Korean government's most pressing issues. This issue was adopted as a major platform of the opposing party as well as the ruling party. In 1966, the opposite party, the People's Party, has announced: "Our People's Party believes that without the stability and development of middle strata, such the national goals as the establishment of democracy, the social stability and the unification in Korea can not be accomplished" (*Choson Ilbo*, January 21, 1966). The party emphasizes the importance of the middle strata in various aspects including politics, society and unification. More importantly is the political character of the middle class. Choi Jang-Jip wrote: "Under the authoritarian political system of Korea, the middle classes have acted as a dominant coalition group ... in serving and maintaining the existed political system... " (1985:49). He goes on to argue that they, the middle classes of Seoul in particular, turned their faces away from the political reform by joining with the *lumpen* and petty bourgeoisie and, in consequence, they chose economic development over democracy. The reason is that these bourgeoisie were one of the major beneficiary groups which emerged as a result of the dependent capitalist development in the 1960's and 1970's (Choi, 1989:50-52).

The second point is, more specifically, that housing policies in Korea were based on a market economy. This strategy might have been essential to the Korean state's developmentalist goal to increase the national revenue and to promote the domestic construction industry. In addition, to increase support and win elections, the ruling party committed to extending its housing investments and kept its campaign promises. This is because, as Saunders (1979:147-48) argued, state expenditure in provision of housing is considered important in maintaining the social cohesion of a society. The Korean housing authorities concentrated on developing housing for sale to encourage urban household's homeownership rather than the rental housing for the urban poor. In the context of the government's developmentalist ideology, the increase of homeownership was considered an important yardstick of the country's economic development.⁴³

Up until the early 1960's, when the city boundary was still narrow, residential segregation was not as conspicuous. People of diverse strata lived together in physically adjacent, mixed environments. But the process of space relocation after the 1960's brought inter-class segregation - it has developed from class mixture to class differentiation. The boom of apartment construction by the Housing Construction Facilitation Act of 1972, especially, led to the apartment being regarded as a symbol of wealth and social status. The segregation has since become more apparent, particularly

⁴³. Although most of rich industrial societies have higher homeownership rates than poorer societies, Kemeny (1981) shows that the extent of homeownership can not be necessarily used as a measure of national standard of social well-being. Thus, for example, despite the fact that Sweden, the Netherlands, and Switzerland are among the richest countries in the world and have highly developed welfare systems, they each have some homeownership rates of one-third or less.

between the middle and the non-middle class. The Korean government might have encouraged middle income households to move to a newly developed area in an attempt to vitalize the area instead of undertaking costly redevelopment at a later stage. This policy has been characterized as "policy for places" (Goodman, 1978:5). It is an attempt to influence and upgrade neighborhoods rather than to influence the movement of people themselves. As a result, the apartment complex changed the residential structure of Seoul because the areas south of the Han River emerged as a new bourgeois settlement for attracting the middle class.⁴⁴ The ruling party has also suggested the move of "brand name" high schools to attract the middle class into newly developed areas. This, as Cox (1978:94-112) has argued, reflects that a high relationship between the quality improvement of social class and the school quality directly affects the process of urban policy making.

The involvement of state housing policy initiated and reinforced a growing segregation between social classes. As KNHC itself had to raise the capital involved, it became an effective entrepreneur like others. Thus, the state provides the conditions for profitable private accumulation of capital. Although state intervention in this area has specific economic function, it is neither a spontaneous mechanism triggered automatically by the mode of production nor exclusively the effect of action by the dominant classes it also has a political logic with specific political effects. The period of two 5-year Economic Plans (1972-76 and 1977-1981) was the peak not only of economic growth,

⁴⁴. Hyun Young-Jin (1978:141) says: "When you look at high-rise apartments like a symbol of wealth in the riverside of the Han River, you would feel as if the scene indicated faintly a miracle of the Han River" (see Appendix 4).

but also of housing development in Seoul. During this economic boom, the dynamic of urban growth was stimulated by direct and indirect state investment. The politics of authoritarian Korean government became rooted in exchange of the vote for short-term individual benefits rather than broader appeals of program and ideology, and the mass-based Democratic Republican Party became dependent upon material incentives to generate popular support and sustain its political legitimation in the people's consensus.

Within the context of both a national system characterized by extensive state intervention in the economy and society, and a highly centralized administrative system, such material incentives have entailed state resources by definition. The political logic of government intervention in housing is characterized by an ownership-oriented strategy, while measures of dwelling quality and demand are neglected. In this respect, Chong T'ae-Song (1978:130) argued:

. . . the government authority does not seem to distinguish between rental housing and owner-occupied one in counting the ratio of housing shortage. For example, their logic is that when one household among 10 households in certain area possesses all the dwellings, although the remainder, 9 households are renters, the ratio of housing spread in the area become 100 percent.

That is, the government thought that housing shortage will be reduced, and by doing so, they expected to achieve the purpose of extending the popular support and political trust of the ruling party. Increasingly, the sale of public dwellings has been linked to issues of social mobility and the distribution of wealth (Forrest and Murie, 1985:100). It remains a fact, however, that real estate does not turn over very frequently from the hands of the rich to the poor. The newer the housing, the farther it lies,

generally, from the poor.

In devising public housing programs for Seoul, the government authorities have failed to identify the target groups. As it stands, their programs do not take into account the real needs of the low-income class. The role of the public sector in housing should have been clearly differentiated from that of the private sector. Thus, not only from the point of view of efficiency but also from that of equity, it is highly desirable that middle and upper income housing should be the concern of the private sector. This is because commercial builders and landlords feel that well-built and managed housing for the poor will not produce an adequate return on invested capital, and therefore there is no incentive to provide decent accommodations (Gold, 1980:42). In this respect, it should be criticized that housing and land policy in Korea, specifically state-developed housing programs and land readjustment projects, operated under a business managerial approach under the market principle and blinded to public welfare. The property market gives rich people the best location and environment, as well as the best housing structures. Making access to social services and environmental quality more equal can help to make the general level of welfare more equal.

The Korean governmental actors sought to construct and maintain dominant control over urban development process by using the government's relationships with economic and political interests to secure cooperation from public and private power-holders. Social change, since the mid-1960's, has altered the nature of these governmental, social, and economic interests and created new conflicts and tensions among them. As Mollenkopf (1990:69) has argued, these interests and conflicts take on

political context, however, only within a specific setting of political institutions and practices. These institutional patterns strongly mediate the broader social changes and shape political actors' strategies towards interests in the government, the electorate, and the economy (Mollenkopf, 1992; Bellush, 1990). The message here is that who gets what public goods and services in urban Korea rests just as much with governmental structures and policies - the way of resources allocation - as with where households reside in the city. In so far as resources flow to the local level is concerned, the allocational outcome is mediated by systematic structures and organizations in the government and administration.

With reference to the distorted housing market in urban Korea, the current priorities of housing policy in the country have been oriented to the solution of the absolute housing shortage and the increase of home ownership of middle income households. This implies that the government had no alternative in the short term policy of mass dwelling production at low cost. This growth-rational housing policy in quantity still continues. In particular, the enormously high proportion of the land cost in housing production costs is obviously responsible for the expensive housing prices and poor affordability and is directly or indirectly linked to the creation of housing shortages. The massive construction of apartment complexes and increasing housing costs gave rise to the important changes in the social fabric of neighborhoods, and they could also yield important insights into contemporary urban residential spatial patterns in Seoul.

CHAPTER SIX

Conclusion: The Role of the State and Urban Growth Politics

This study emphasized that the growth of Seoul had historical roots and that the current urban problems were associated with the experiences of colonialism, and the expansion of capitalism and authoritarianism in the nature of Korean state toward modernization. The main concern of this study was not only to present and explain, but also to offer a critical general analysis of the role of the state in development process of Seoul in Korea, focusing on the historical evolution of the city from Japanese colonial rule to the newly industrializing authoritarian regime. It was an attempt to establish the logic by which government intervened to shape urban development during this time period. In this study, the first basic argument was that the Korean state has its own distinctive interests in cities and has had significant autonomy in pursuing these interests. The second argument was that both the growth patterns of cities in Korea, Seoul in particular, and inter/intra-regional discrepancies were not simply the result of inexorable economic processes, but they were substantially influenced by the decisions and actions of public officials, national and local.

The analysis was specifically concerned with how the state's political interests and policies have evolved with its capacities to direct and compensate for the stress of urban change. This study demonstrates that the most positive result of policy innovation in Korea was to achieve a much closer integration between urban growth and national

development.

Developmentalist State and Urban Change

Throughout a long history as a feudal state, Seoul, the capital city in Korea, was the symbolic place of national feeling and national political power, and the distinctive premier city. This elite position of the city was further strengthened by developmentalist ideology of the Japanese colonial government and post-independence authoritarian Korean state. In this respect, the claim that the state's autonomous power was a determinant factor in the change and growth of Seoul seems to be borne out by the city's historical evolution as discussed in the study. As a more significant political factor, this study in particular treated the emergence of early modern capitalist state with the fall of the "Hermit Kingdom" in the late nineteenth century, the penetration of imperialist Japan, and the rise of authoritarian state in the 1960's.

The primacy of centralized authoritarian state in both the colonial era and thereafter has been emphasized throughout this study. The political and institutional forces allowed the development of broadly interventionist policies to deal with urban issues. Throughout this process, the state existed as an independent, identifiable entity, with its own functions and objectives; and, at the same time, it was clearly situated as a constituent element of a wider set of power relations within society. In both the colonial and post-independence period, Seoul showed its dependence from the state with urban growth policies and market regulation, which enhance capital accumulation and

consequent urban growth. Not surprisingly, this evidence combined the interconnected logic between the independent state theory and the capital logic theory of structuralists.

Seoul went through a dramatic physical and socio-economic transformation during the three and a half decades of colonial rule. The city was developed, not as an autonomous unit, but as part of the Japanese Empire. The colony had no choice but to rely on the political administration and direction of Japan. The changes of socio-economy in the city during the period closely reflected colonial policy, which was deliberately planned and effectively carried out by the imperial regime. During the period, although Koreans were never allowed to participate in any political activities in a modern sense, Korean urban society, whether compulsorily or spontaneously, was gradually growing into a modern society.

The spatial shift of Seoul became stronger as the country became more developed after post-independence. Until the early 1970's, the Korean government devoted a lot of attentions to conditions and changes in the central area of the city, the central business districts within the Four Gates.¹ With the establishment of South Seoul Development Plan in 1970, urban development priority began to move into the south of the Han River. This does not reflect, however, that the old central area of the city was declining rapidly. Rather, the government intended the balanced urban growth by fostering the spatial differentiation accompanied with the population dispersion from the old northern dense

¹. The Four Gates has remained, and will probably always remain, the spiritual center of Seoul; adjacent business districts such as Chongno have been thought of as the city's traditional center of economic power.

area.

As O'Connor (1973:5-7) has argued, much state effort is devoted toward maintaining societal conditions under which profitable capital accumulation is possible. However, the capitalist state which openly uses its coercive power to enable one class to profit at the expense of others loses its legitimacy, and risks undermining the basis of its mass support. Unlike the advanced Western democratic countries, the authoritarian Korean government made many efforts to offset such a structural contradiction, by using the economic growth and middle class-directed development policies as the major means to secure state legitimacy. Rather than adopting a policy of progressive solutions, a policy which promotes the achievement of several goals simultaneously, the Korean government realized that a single goal, economic development, was the only legitimate target for public action.

Throughout the study, the major directive of colonial urban planning in Korea was placed on housing and land development as an instrument of reproducing labor forces for the effective achievement of the imperial Japanese government's political goal. The land readjustment project under the control of Government-General became an important policy tool to respond the resistance and attack of Korean people derived from the unequal urban planning between the Korean village and Japanese village within Seoul. Also, the authoritarian Korean state was seen as playing to stimulate and maintain capital accumulation. Nevertheless, what should be stressed is that both the colonial state and authoritarian Korean state (or state managers) have acted as an independent arbiter of the class struggle, and not as a subordinate. The Japanese colonial state has been aptly

characterized as growth-oriented and interventionist in economic affairs, promoting the peninsula as a base of Japanese economy. The state tried to incorporate Korea into the Japanese empire, not just as a "colony" but as a "new territory," in order to avoid the negative aura of patronization and exploitation that had become the hallmark of disrepute for European colonialism. A series of incorporation policies rudely awakened the authorities to a more cohesive colonial rule. Nonetheless the "structuring" role of the colonial state far exceeded what Alfred Stepan (1978: Xii) has observed more generally; "The administrative, legal, bureaucratic and coercive systems of the state attempt not only to structure relations between civil society and public authority in a polity, but also to structure many crucial relations within civil society as well." The very opposite of Myrdal's (1968) 'soft² and weak state' constrained by anxieties over domestic political consensus, the Japanese administration on the peninsula proved itself as a strong state primarily concerned with military security and economic productivity. The extensive role of the colonial state in the urban planning through 1945 was not surprising, given the direct and often authoritarian role of the Japanese colonial administration in Korea.

Park's authoritarian government in the 1960's and 1970's was ultimately to decide on national economic growth. The goal of spatial policy tended to be expressed as a rhetoric discourse for balanced regional development. The state's activities considered national development itself and the governmental policies by state power as existing for national interests. This phenomenon characterizes the developmentalist state (Gore,

². Myrdal (1968:896) wrote that "soft states" are ones in which "governments require extraordinarily little of their citizens" and "obligations that do exist are enforced inadequately if at all."

1984:237-249). As a matter of fact, through the spatial policy of a developmentalist Korean state, the authoritarian government led to popular consensus by emphasizing national interests. During the past three decades, most of the decentralization policies developed by the two authoritarian governments of Park and Chon have been regarded as symbolizing balanced regional development, which is a basic ideology of spatial policy (Kim, 1992:96-99).

The phenomenon of the developmentalist state in urban growth should be understood as a process in which the state has played a strategic role in taming economic forces and harnessing them to national ends. For the developmentalist Korean state, Seoul has been a center of modernization which acted as a catalyst for economic growth and social change.

The view of cities as instrumental to national economic development has been popular among development theorists for a long time. Hirschman (1958) and Friedman (1972) are two of a group of scholars who see cities as 'growth centers' where economic growth is initiated and from which the benefits of growth trickle down to slow-growing areas. Within the state bureaucracy in Korea, societal growth was guided and mediated with instruments formulated by a small-scale elite bureaucracy recruited from the best managerial talent available in the system. For this, the government needed a close institutionalized link with private businesses for consultation and cooperation. In particular, the Korean *chaebol* groups's greater voice in policymaking process reflects control of a large portion of economic activity. However, the existence of an independent state power was crucial for the operation of the system. As Ziya Onis (1991:114) notes,

in the absence of bureaucratic autonomy, public-private cooperation easily degenerates into situations in which state goals are directly reducible to private interests.³ As Kuznets (1977:105-7) argues, furthermore, because the Korean regime has been authoritarian and has no economic interest base, it could hold down wages and consumption, largely ignore rural interests and the poor's needs, and concentrate on rapid development through industrialization. In this process, advanced techniques of military management have been extensively adopted in the civil bureaucracy and a result-directed managerial approach was vigorously stressed. This developmentalist idea has been a significant source in beautifying and modernizing the city.

Authoritarian, highly centralized planning for urban development tends, by itself, to reinforce a strong state since it necessarily generates a vast government bureaucracy that acts as a substitute for the market. Authoritarian rule tended to eliminate the articulation of private interests groups interacted with the government. *Chaebol* groups, construction firms in particular, owed their phenomenal growth to the special incentives provided by the state in the process of housing development. The fact that they have been nurtured by the state in the first place has, in turn, rendered them extraordinarily dependent on the state for their future survival. In a similar context, the extremely tight policy networks which characterize housing policy have been largely engineered by the state elites. It would be misleading, therefore, to conceive of public-private cooperation

³. For instance, countries such as Mexico and some of the other "bureaucratic-authoritarian" states in Latin America are striking examples of such political economies, in which close government-business cooperation has materialized in the context of "weak states" which lack autonomy from powerful groups in society.

as an outcome of voluntary compliance by business elites. The significant element of compulsion exercised by the Korean bureaucrats in securing public-private cooperation constituted a central characteristic of the developmentalist, entrepreneurial state.

According to Lee Han-been (1968:144-175), the role of the governing elite has to be appreciated. He labeled them called "Korea, Inc."⁴ The Korean state not only actively promoted capital accumulation and housing development by private industry, but participated directly through public enterprises like KNHC. Each public corporation in Korea has been affiliated with a particular ministry. The ministries of Construction, Agriculture, Finance, and Defense have been heavily involved in public or quasi-public enterprises. Moreover, all the higher posts in public enterprises, which paid comparatively lucrative salaries, were filled on the basis of ruling party's political patronage considerations. Especially, the two military regimes of Park and Chon appointed a great many former military men to key posts in such enterprises.

It is undeniable that public managerial greatly contributed to the execution of public policies and programs, which in turn was conducive to the Korean economic growth. In this sense, administrative management has been highly valued even at expense of political disgrace. It is said, "there exists no politics but administration," which very appropriately symbolized the political practice and attitude in Korea. The potent role of the Korean state in recent urban development matters was justified by the judgement that entrepreneurship was motivated and inspired from growth-oriented government economic

⁴. Mason and his colleagues said: "If there can be said to be a 'Korea Inc.' it is the government that is the 'Chairman of the Board'" (1980:277).

policies.

From the developmentalist state logic, politics may have been submerged as the state encouraged the electorate to treat development as a purely administrative matter, but development remains a key strategy for governing. The success of development policies, measured in terms of the electorate's appreciation of the government's effort, is the very basis of maintaining the popular support that legitimizes the government itself. The authoritarian government of Park used economic performance to garner political support.

The process of rapid economic growth during the 1960-70's was the fundamental engine of urban change; this is in agreement with the economy-centered theories about the growth of cities (see Berry 1973; Gordon, 1976, Jacobs, 1984). Urban conditions, it was assumed, would improve as industry grew. Internal structural prerequisites for rapid economic growth *via* export promotion industrialization were met by the presence of a strong and autonomous Korean state. A well structured and tightly organized bureaucratic system dating from the Japanese colonial rule and a highly independent and powerful organization backed by the United States under the Cold War logic were the alpha and omega of the so-called Korean miracle. The impact of the national emphasis on industrial investment was magnified by a highly centralized political system in which the center's priorities became those of cities. They were heavily dependent on the central government for their powers and financial resources. For this, the Korean planning

strategy inevitably directed "from above" or "top-down" planning.⁵ The approach emphasizes maximization of economic growth rates, and strong centralized direction and control of investment, which may not be compatible with regional political and/or economic interests.

It is likely that the major changes in Seoul's spatial structure - from a basic structure by Kyongsung Subdivision Street Ordinance in 1934 to the spatial expansion to Kangnam and Kangdong ward south of the Han River in 1973 - have largely been derived from the change of political situation and the government's political intention, and the social and economic factors, such as economic growth and population increase. Seoul's socio-economic roles in national development were stressed; specifically as an agent for change, modernization, and innovation. Thus, this study showed that the significance of urbanization for economic or social development, demonstrated in terms of modernization and urban growth, should be taken into account in drawing up national policies and plans.

The role of the state for increasing material production through capital accumulation in capitalist society needs to be legitimized. Otherwise, the state loses the people's support. From this standpoint, the state's political responsibility appears. Intensifying class conflicts prompted government intervention to secure socio-political

⁵. At the heart of such strategy is the notion of polarized growth and the belief that implanted urban-industrial growth centers will most likely restore regional equilibrium. As opposed to the development "from above," "from below" emphasizes that development programs are oriented towards problems of poverty and are determined at the lowest feasible territorial scale, motivated and initially controlled from the bottom; satisfaction of basic needs becomes a primary objective (Stohr, 1981).

stability and ensure the smooth operation of the capitalist economy. State intervention in national development should be understood as the activity for the people's welfare, and should mediate the social conflicts by developing the active policy for mitigating the socio-economic inequality arising from rapid economic growth. Focusing on policy instruments, the state's economic responsibility will be growth-directed, and its political responsibility will be distributive in modern capitalist societies. In a developing country like Korea, the former is emphasized more than the latter, but the distributive policy would be stressed in the situation where there exists social and political instability. Plausible evidence is found in a series of policy programs of the Japanese colonial government during war period, and some measures of the authoritarian Park regime after *yusin* (October Reform) in the name of "continuing economic development." The policies are the construction of housing complexes in both the 1937 Sino-Japanese War and the 1939 Pacific War period, and the construction of two million houses and the South Seoul development programs in the 1970's. Even the Chon government in the 1980's emphasized the liberalization concepts such as "balanced regional development," and "welfare" and "social justice."⁶

Cho Sun, the former minister of the Economic Planning Board, has critically argued that the Korean state was only focused on growth-directed policy, and in fact, distributive policy did not exist in the process of economic growth. The state has

⁶. Since Koreans were no longer sympathetic to the slogan of "economic miracle" by the non-democratic security-centered system of *yusin*, the Chon regime originally stressed "welfare and justice" as its state goals rather than "anti-communism" and "economic development." President Chon even named his ruling party the Democratic Justice Party.

ultimately been involved in capital accumulation and has been primarily concerned with establishing a social context favorable to it. In this development process, urban development policy might have been faced with the requirement of growth policy which supports capital accumulation. The capital city's role as the dominant center for a prosperous, export-oriented economy was reflected in the spatial structure. These developmentalist goals would be inevitable in obtaining the authoritarian state's political legitimation. Their were political needs, prior to economic needs. Korea's experience underscores the complexity of the interplay between urban and national political economy development. Clearly, rapid urban growth has had a sweeping impact on government and politics emphasizing the economic growth. As Mollenkopf (1993:92) notes, however, the most important reason for the interaction is the need for political support. The role of the state appears to be mainly political so far as it acts as a factor of cohesion in the social formation (Poulantzas, 1973).

Urban managerial approach was degraded to a tool of policy formation which was forced to play as a technique for the political decision by pursuing functionalistic developmentalism. Furthermore, as the centralization of political power by the military power persists over a long period of time in Korea, the professional techno-bureaucratic characteristic appears with the emergence of the new elite's bureaucratization in policy making process, and as a result, problem-solving through technical management procedures began to dominate the society. In doing so, the government actors were absorbed in maximizing practicality through quantitative increase rather than through the moral or ethical aspects. They tend to decide policies according to the simplistic criteria,

regime maintenance and growth, regardless of good and evil.

The Korean state has acted positively to first encourage, the building of large stocks of public housing (which was a major commitment of the authoritarian Korean government after the military intervention in 1961) and somewhat later, the provision of owner-occupied housing. Contracts for the construction of public housing have provided work for architects, real estate agents and construction firms up and down the country. A massive production of *kukminjut'aek* (people's housing) and big housing estates in large cities, which were identified with the establishment of Housing Construction Facilitation Act in 1972, was a typical case. Of course, this type of state action was required to accelerate the rate of economic growth or to increase jobs. To see this role of the state requires looking at housing as an economic opportunity, from the standpoint of production as well as from the standpoint of consumption. As a business, housing has still been tremendously important to the economy. The state, through the massive production of *kukminjut'aek*, can be seen to have been undertaking, simultaneously, several functions, including: (a) stabilizing the economy; (b) reproducing the labor force; and (c) insuring social cohesion through the promotion of home ownership.

Three strategic policies were undertaken in the early 1970's (the first period of development) to shift the direction of investment from Kangbuk (north Han river) to Kangnam: (a) development of riverside areas, which have actually and perceptually better accesses to Kangbuk; (b) the standardization of publicly financed housing projects to accelerate the pace of development; and (c) the land subdivisions in the new district, which were designed to promote home ownership for the dream of a new middle class.

Today, the shape of Seoul as a primate city arose from the planned economy, such as 5-Year Economic Plans, which were added to the political/administrative centralization which had been formed in Seoul during the Yi dynasty and colonial era. Backed by its long-standing prestige as the center of power, Seoul has further attracted a concentration of people and resources and in turn has catalyzed, as a prime growth center, a breakthrough in total transformation on a national scale.⁷ In particular, the authoritarian leadership in Korea focused on material performance as a primary means of engendering political support. The capital city, Seoul was chosen as a symbol of development and change. Moreover, the designation of Seoul as the host city of the 1988 Olympiad showcased the Korean government's developmentalist ideology. At staggering cost, probably \$3 billion, the city was dolled up with new highways, new subway lines and a breathtaking array of new athletic facilities. But these changes were only part of a larger goal: to advertise and win global respect for Korea's astonishing economic progress and its new, if imperfect, democratic system. In bidding in 1981 to host the summer games of 1988, the Korean government headed by President Chon had in mind a variety of economic and political objectives. The government wanted the Olympics to do for its image and expanding economic ambitions what the Tokyo Games did for Japan in 1964. However, one of the most important reasons was political. Though in this time Korea's rising economic tide was starting to generate an accompanying set of political

⁷. In this context, I do not consider Seoul's urban primacy as the problem of parasitic city that may be found in Latin American or Southeastern Asian countries, which has been applied by dependency theorists. Seoul's growth is different in that the rapid population growth of the largest cities in these countries is occurring without a commensurate growth in urban industrial employment.

expectations, there was no general consensus as to what precise form the Korean political system should take.

The international spectacle of the 1988 Summer Olympics was a special stimulus for Seoul to get on with its job of reconstruction, as well as a marvelous opportunity for the city to attract national monies to fund municipal projects. The real advantage to the citizens of Seoul has been the improvements in the infrastructure associated with the games. Perhaps, however, the most important change brought by the games may be the most intangible - the consciousness of new Seoul it has created among the thousands who came from elsewhere to build it. "Through the Olympic Games," says Chong Do Myong, the Director General of Olympic Planning for the Seoul City Government, "we have integrated the population, and created a falling for Seoul" (*Choson Ilbo*, Aug.30, 1988).

The analytical conclusion drawn from the study is that the economic factors' impact on Seoul's urbanization and the related urban development process was mediated by the political dominance of both the colonial and stable authoritarian state. In addition, I argue that every state intervention in a developing country, such as Korea, in particular, is necessarily a political act, even when the political dimension is submerged.

Problem of Inequality and Unfairness

Modern urban policy processes in Korea have basically been government-centered. Within this policy process, the government aimed ultimately at pursuing

effectiveness and efficiency, but often overlooked its policy goal, "human dignity" (Lasswell, 1951). The governmental actors in urban policy making in Korea were influenced not by what is good or bad for people, but by what is good for the state's maintenance and economic development. As Mumford (1938) argued, the well designed city for the glory of one person can never be the authentic city no matter how it is shaped with supreme beauty, efficient management, and structure.

Throughout the colonial rule, the economic and military importance of Seoul was extraordinary. The industrial booms that followed World War I and the Manchurian Incident were confined to war production. Under the Japanese-owned and Japanese-directed economic policy, Koreans shared neither the direction of this development nor its benefits. The wealth of Korea had increased, but not the wealth of the Korean. The urban planning progress under Japanese direction was solely for the war effort, and brought neither political stability nor social welfare to Korea.

As the rapid growth of Seoul continued to be based on capitalistic logic, the gap between social classes has deepened. Furthermore, the authoritarian government's wishes for some political stability and legitimacy by satisfying the middle class's share through allocating the benefits and incentives derived from the economic development have been granted. The lower-classes were excluded from those particular benefits. They were often faced with intense competition from more established groups, as was the case in housing policy. Several political acts, created in the 1960's and 1970's, heralded the Korean government's increased responsibility for housing. However, they often failed to provide benefits for the low-income households for whom they were intended. These same

political actions provided a substantial subsidy to the middle or upper classes, and vast profits to residential developers and land speculators. The urban middle classes initiated a mass craze of the 1970's for speculative purchases of apartment units, and degraded housing life to a mere vehicle for a better education for their offspring. Apparently, the differentiation between housing classes affected the social groupings which conform to a particular culture of each class.

This study particularly dealt with inequality in the allocation of land and housing. It demonstrated that significant inequalities resulted from the way facilities and services in urban Korea are provided. Differences of housing quality, and different housing opportunities for different social classes, do not in and of themselves constitute a social problem. It was argued earlier that the housing system becomes a social problem only if people are conscious that it is creating unjust inequalities. When people come to believe that they suffer from inequality, they also believe that their poor housing situation hinders individual chances and their full integration into society.

Little headway in the Korean public housing programs has been made on the related objective of directing resources into low cost housing. In Korea the state-developed housing, except for a few "Citizen Apartments" produced by local governments, are not welfare housing aimed at those with low incomes. This is different from Singapore and Japan in which the level of welfare has been determined by household need, usually defined according to such criteria as household size, health, age, and, of course, income. During the last three decades in Korea, the governmental efforts to increase the high-rise luxury apartment-oriented housing production have been

primarily directed at middle or upper income urban dwellers. Although the Korean government sought to beautify the city and to provide more housing stock, the result benefitted the middle or upper class.

The Housing Construction Facilitation Act of 1972 was formulated so that private construction firms could be mobilized under the provisions of the new law to build apartment units of *kukminjut'aek* (people's housing) size. However, the massive supply of *kukminjut'aek* for homeless families could only satisfy the private developers' yearning for profit, by giving the priority of the People's Housing Fund to only a few big construction firms who were chosen as the designated developers by the state bureaucracy. In this situation, it was natural that the private developers concentrated on building the 25 or 26 *p'yong* units, which are easier to sell to the middle income households. Furthermore, the property tax structure is highly regressive, and thus favors an investment in high quality, expensive home. Also, these homes yield a much higher rate of return on investment for both developers and individual investors. These incentives pushed the price of high quality housing even higher, which, in turn, caused ripple effects that aggravated the housing situation among low and moderate income classes.

Many illegal settlements were removed as a part of urban renewal projects by Seoul city government. These were relocated in newly designated areas, usually near the city limits in open spaces or on a hillside. Urban squatters might be identified as the "coal in bathtub" (Peattie, 1969:15). Higher social classes or political decision makers in Korea have taken utilitarian thought that social welfare can be pursued by removing

'the social ugliness' in the urban center. However, the protest of squatters was as strong as the government's rigid regulation toward squatter settlements. During the last three decades, the number of illegal shanties was only reduced 15 percent in Seoul (Kwon, 1988:23). This reflects the successful usage of a non-institutional method, "protest activity," rather than the limits of government control. Both the solidarity of protesters and the political pressures in the elections loosened government's measures. The government's actions increased social instability, and heightened the problem of political legitimation. This was also due to the fact that the continuous collective protests of urban poor were supported by the middle classes and the students.⁸ However, as Michael Lipsky (1970:165) argued, people participate in order to play a significant role in the policy making process, since their interest in protest organization may depend upon the organization's material success. Nevertheless, it is noticeable that protest activities in urban Korea changed very little the overall direction of urban renewal policy in view of the national and urban modernization under the state's developmentalist ideology. Despite the frequent protests (although sporadic), lots of squatter settlements were cleared and transformed into high-rise apartment complexes for the middle and upper-income households. In fact, the squatters lacked political resources to exchange and bargain. James Wilson (1961:291) called this "the problem of the powerless."

Although squatters have no legal right to occupy the land, the problem of squatter

⁸. According to Hahm Byong-ch'un's (1967:187-204) survey, many Korean people criticized the government's forceful removal of illegal houses. His finding also showed that more than half of the city officials and policemen, who direct responsibility for the removal scheme, called the plan a "cruel act without fraternity" (1967:191).

clearance should not be considered a purely legal issue. It is more an issue of social justice. In this respect, the government's clearance scheme is contrasted with John Rawls's (1971) social justice theory that 'right' takes precedence of 'goodness.' Although the Law of Housing Improvement Promotion, which was the legal base of the redevelopment policy, has nothing to do with matters of morality, many legislators see themselves as spending most of their time seeking to improve the human condition. Therefore, questions of clearing out the squatter settlements cannot be detached from a consideration of the "rights" and "wrongs" of the matter, the sense of rendering "justice" (and "justice" is, irreducibly, a moral term). Justice itself can reinforce order and equality, by providing citizens with interests in their own society. Consequently, policy and institutional reforms should be understood as a means of increasing the possibility of social and political justice while encouraging orderly processes of change.

Land Readjustment Projects primarily aimed at developing the residential area for the middle/upper class. Availability of adequate and suitable land is of paramount importance to the success of enabling housing strategies.

It must be emphasized that the LRPs have successfully responded to the unprecedented speed and the scale of urbanization in Korea for the last few decades, with all of the government's resources to meet the challenges. In particular, the projects have done remarkably well to provide urban services to the larger cities, especially to Seoul, in response to the rapid increase in population. The concentrated development of the South Seoul by the LRPs attracted the sort of speculative activity that triggered off a land boom.

However, the LRP in Korea did not lead to an equitable solution for all those involved. The initiative lay in the hands of public sector agencies and the land owners. As a result, in most cases, individual leaseholders and tenants have very limited powers to influence such projects. Furthermore, even some small landowners were effectively excluded from the process. For this reason, Choi Ch'ang-Sik (1984:65-69) has argued that the land readjustment associations were often coercive in nature and were seen to be acting as the political arm of public bodies.

The use of LRPs for housing development created class alienation, instead of promoting the maximization of the housing welfare of the entire population. These negative impacts of government intervention in the housing market started controversies between those who think that the public actions are proper ways of achieving efficiency, and those who think that government involvements are necessary to correct the inequitable distribution of development gains, costs, and even housing services.

The LRPs were institutionalized to support the government's strategy for maximizing the housing supply. They were based on the premise that the total price amount of the returned land, after the project, should be much more than that of the original land. A more important advantage in the plan can be found in the government's efforts to overcome the difficulty of urban land use planning considering their financial shortages. That is, the government could successfully tide over the contradiction between land and capital in the lower stages of capital accumulation. Under the government's finance and export-oriented industrialization strategy, the government induced private construction firms to invest in the implementation of the project efficiently.

As in Western nations, housing booms in Korea were accompanied by the rapid industrialization and urbanization. The apartment building boom served as the base of political consensus among diverse groups as the large private developers and middle class with the urban setting by providing short-term material benefits. An unintended consequence was that it eventually accentuated the economic cleavages and residential segregation in inner Seoul. This is distinguished from the racial segregation in colonial Seoul, where there had been the residential segregation between the Pukch'on (north village) for the Korean old ruling classes and Namch'on (south village) for the Japanese groups. By increasing the production of *kukminjut'aek*, the pursuit of tremendous profits from the construction of big apartment complexes become the typical way for the authoritarian government to accumulate capital in Korea, as well as in other authoritarian states.

The crucial goal of housing policy was the expansion of housing production in quantity. This was considered the best means of settling the housing trouble at that time, especially with a filtering advantage that separate provisions should be made for middle-class and poor households. The benefits, however, did not "trickle down" to the urban poor. Rather, the result brought about the tremendous rise in land and housing prices. Moreover, the location choice of apartment complexes under the Housing Construction Facilitation Act could be made in all of the areas within the city without limiting criteria. This thoughtless construction of high-rise apartments not only destroyed the traditional residential patterns and natural environment, but also deepened the social disharmony between the rich and poor. In particular, the physical structure of big apartment

complexes surrounded by "super blocks" enclosed by fences reflected the closed life of upper classes, and was contrary to the advantages of urban community society's trend toward openness.

The particular aspects of housing provision in which the government intervened were structurally determined. This was particularly the case in the post-1972 period where the South Seoul development project was selectively searching for land for development. As a result, benefits/disbenefits occurring from intervention were unequally distributed socially and spatially. As Ivan Szelenyi (1983:127-43) has argued, if the most desirable housing is concentrated in exclusive areas, it is likely to increase its value as a status symbol, and increase people's desire to symbolize their status in their housing. As shown in Kangnam (southern districts of Han river), one of the reasons why high-rise apartment houses became a status symbol for middle or upper class was the concentration of that class of housing in highly-valued areas. Class homogeneity was greater in recently built housing complex areas, particular in Kangnam, since any new residential development tends to attract people in similar material circumstances (Young and Willmott, 1975:193). This process of housing development changed the area into a richer community. In 1984, middle classes were a majority in the southern part of the city, especially Kangnam-gu. They were the majority by 90 percent, and 60 percent of the northern area was middle class. By 1991, the average monthly income of households in Kangnam-gu was about 1,320,000 *won* (equivalent to US\$ 1,650), nearly 50 percent higher than the Seoul's average (Kim, Bu Song: 1992:35).

There have been crucial interdependencies between the state and capital interests,

which resulted in the structural problem of Seoul's urban residential pattern. The distribution of housing, and especially the pattern of residential mobility which it implies, have produced a system of social class stratification which, by its own extremes, established the lines of social conflict. In the development of new residential areas in fringe areas, the public investment was extremely limited and the government's key concern was to secure *ch'aebiji* (deducted land) - the cost of which is the equivalent of total project cost - in great quantities, and the public facilities such as parks, public parking lots, roads were of secondary concern. Therefore, the Kangnam area is now faced with serious problems with the traffic jams and other public services, despite the fact that lots of undeveloped land still remains in the area. One of the key reasons can be derived from the central government's effort to lead the big apartment complex-directed development.

All the findings in this study were largely derived from the relationship between the expansion of state activity and patterns of social inequality. Pahl (1977:50-64) has, therefore, pointed to the influence of the state on economic differentials among class segments in social formation as evidence for his thesis that the state increasingly determines class relations.

The government's participation in housing construction has steadily increased. The question is not whether the public sector's role in housing development should increase or decrease. It is rather why the public sector should intervene at all. In Chapter Five, two principal reasons for intervention were considered: the inefficiency of the private sector, and its unwillingness to produce certain types of housing. The data in this study

do not prove that the public sector is more efficient at building than the private sector.

If we accept that the city is the spatial expression of the mode of production and consumption, it follows that there will be inequalities in access to services only because everyone cannot live or work at the same place. Characteristically, the uneven development that took place was symptomatic of reasonably healthy economies with 'growing pains.' Nevertheless, the state should intervene in the city's development and its functional efficiency. In this process, however, the government should not overlook who loses and who benefits. Importantly, the land and housing plan in Korea were not presented in terms of general goals and community-wide benefits, and it was likely to be accepted in terms of class-based allocation. As Wilson (1963:242-249) has maintained, the view which a neighborhood is likely to take of urban development is in great part a product of its class composition.

Finally, I would like to point out the problem of corruption with regard to the Korean government's developmentalist idea. Corruption has become one of the most serious social evils which produced by the rapid socio-economic transformation of the country. During the rapid growth period, practices of favoritism and graft became commonly accepted behavior among politicians, judges, businessmen, public bureaucrats, and even journalists. At the top, corruption was more often related to political purpose; at the bottom, it was motivated by the undiluted desire for monetary gain.

As the center of political/administrative and economic power, Seoul has been a hotbed of political corruption. As one of the most important reasons, Lee Mun Yong (1992:140) finds that the mayoralty of Seoul has been monopolized by the ruling party's

politicians or the persons of the military clique who had close tie with the Blue House. The logic is simple. That is, Korean political stability is impossible unless a giant Seoul is directly controlled by the authoritarian top political leader. Reciprocally, Seoul city government can also be the source of political money of the ruling party.

Recently, the collapse of a bridge in central Seoul⁹ and the massive tax scandal of lower officials¹⁰ in the local administration show the cost of this cozy relationship between the national regime, city government, and private developers. The Korean Gallup Institute reports that 65.7 percent of the respondents attributed the cause of the two incidents to the corruption which has accumulated in Korean society during the past three decades. In addition, the Institute notes that most of the Korean people tend to associate the image of the Korean civil servant with absurdity and corruption (*KII*, 1994:719). Korean bureaucrats regard public office as their private property, an abuse of power that results from "authoritarianism." Clearly, corruption inhibits to both political and social development. However, corruption is a complex and multi-faceted social and administrative problem that will be difficult to eradicate or even diminish.

⁹. The death toll in the collapse of the Sungsu bridge in the morning rush hour on Oct. 21, 1994 was 34, with 19 injured. The resignation of the Mayor of Seoul, Lee Won Jong, was accepted over the collapse. Four officials of the city government were arrested for the dereliction of duty (*Han'guk Ilbo*, Oct. 21, 1994).

¹⁰. Eight tax collectors in the Puchon City government, some 20km west of Seoul, were suspected of having embezzled local taxes amounting to some 2.1 billion *won* (roughly \$2.6 million) in collusion with six officials at judicial scrivener office (*Han'guk Ilbo*, Nov. 24, 1994). To make things worse, the Central Investigation Department reports that the local tax embezzlement has been taking place over all the local governments of Korea during the last two or three years (*Han'guk Ilbo*, Dec. 20, 1994).

Alternatives for Better Urban Development

Throughout this study, it has been argued that the experience of urban development under the authoritarian Korean political system has been of dubious value without a clear understanding of the needs of the poor (Kim, 1989:152). This universal error has been caused by the absence of "development from below," "bottom-up," or community-based administration. Specifically, the critical point is the degree to which ordinary citizens or "voluntary community organizations"¹¹ have the power to influence decision making and environmental change between their periodic visits to the ballot box (see Conyers, 1982; Potter, 1985:148-65). It is in this sense that urban development work is increasingly recognizing that all urban planning is inherently political. This will be more realized in the situation in which concentration is effectively reduced and moved elsewhere with the enforcement of local-self government, both in name and reality, in 1995. For Korea, the challenge of effective urban development is to find a way to use the inherent advantages of a centralized political system to focus resources in ways that encourage more local initiatives, leadership, and adaptation. Cities need more autonomy and resources so that land and building can be controlled, and so that more of the conflicts that inevitably arise from rapid urbanization can be resolved locally.

As in most developing countries, both the political and financial control in Korea

¹¹. It has been commonly claimed in the literature of political science that voluntary associations are an essential component of the democratic infrastructure, helping to articulate and direct the feelings of individuals into the relevant government channel (Almond and Verba, 1965; Dahl 1967; Olson 1971).

have been highly centralized, and decisions on the use of national revenues for all local development projects were made in the central sectoral ministries. Nobody can deny the role of the center in the location and design of national infrastructure projects, but when the central control is extended to the choice and location of local projects, the outcome locally has often been a plethora of unrelated projects, which frequently do not respond to local perceptions of need or to local priorities. Moreover, the concentration of technical capability in the central offices of government deprived local administrations of the technical knowledge necessary to manage such work.

I suggest that the importance of a balanced regional development should be stressed in a new balance of responsibilities between central and local government administrations. By giving more comprehensive powers to the latter over fiscal matter, the control of local revenue, decisions on the prioritization, planning and execution of projects, it will increase the legitimacy of local powers. While the involvement of central government departments in local project work is considered to be dysfunctional, there is a whole range of development and other activity which in the national interests has to remain within central government preserve, and, to an increasing extent, to be the preserve of private enterprise.

A redefinition of the functions and responsibilities of each level of government is necessary to make central ministries more involved in policy formulation, and the monitoring and evaluation of work at the local levels. An increase in importance of local politics is expected from the establishment of the Korean local-self government in 1995. The decentralization policy of Kim Yong Sam's civilian regime may be cited in this

respect, even though a major area of debate over the past seven years after the Korean democratization in 1988 centered on the functions of all tiers of government in the delivery of urban infrastructure. In addition, as the competition among cities becomes more fervent to obtain central government subsidies or to attract large enterprises, the role of residents, especially local entrepreneurs, will become more crucial.

At the same time, regional balance should be pursued by encouraging the growth of large or secondary cities in the provincial areas, rather than forcefully dispersing growth from Seoul to the "backward" regions. In this context, balanced regional development does not require a "zero-disparity" situation to emerge from the regional development policies and programs. Nor does the structure and pattern of development need to be identical in all regions. The structural differences inherent in the Korean economy will continue to play an important part in determining the each region's development profile. But the newly democratic government needs to make the growth-with-equity policy a priority, based not on keeping the interregional social balance as the focus of attention but on fuller utilization of the regional resources and altering the national consumption patterns to fall in line with these resource possibilities. This policy reflects social and political values that were not part of previous economic development strategies under the authoritarian government.

The changes of political and administrative structure based on local autonomy in making decisions is of primary concern to the locality, and will insure greater local responsibility for designing and implementing development programs. As Keith Griffin (1981:225) pointed out, these changes, evidently, are not just technical and

administrative; they are political. They involve a transfer of power from the groups who dominate the center to those who have control at the local level. For example, because of the corpulence of Seoul, the division of Seoul has been frequently a significant political issue between the ruling party and opposite parties. The ruling party (Democratic Liberal Party) at present has strongly suggested the division of Seoul in the name of reducing the big and strong powers of an elected Mayor of Seoul in terms of economic and political aspects which are anticipated from the enforcement of local-self government system in 1995 (*Choson Ilbo*, April 24, 1994).

What should also be considered is the globalization of Seoul. Today Seoul is an international city populated by 11 million, representing Korea as a political, economic and cultural center. Recently, there are some new factors that change the role of Seoul in both the domestic and international system. Korea (South and North) became a member nation of the U.N. in October, 1991. Korea has to participate more widely in the U.N. related activities. Seoul is, and will be, housing most of those activities and office space. With liberalization of commodities and services under the agreement of Uruguay Round, an influx of various service activities is expected from the advanced countries, especially in producer services such as banking, insurance, communication, and other professional services. With the increasing trend of regional cooperation in the Southeast Asian countries, Seoul will become a major center of the regional cooperation in the Far East. With the globalization, growth management of the city is still more become important. Accordingly, Renaud (1974:281) recognizes that if active regulatory steps are taken to relocate economic activities away from the capital city - which as

shown in this study is the primary producer of a very high proportion of the country's wealth - the economic well-being of the country as a whole will almost certainly suffer. Therefore, the growth control policy in Seoul should be coupled with the growth management to enhance the efficiency of the spatial system of the inner city, and also should be supported by the government's efforts in developing the large cities in provincial area.

The growth-directed massive production of the new big apartment complexes led to spatial problems, such as the uncontrolled urban sprawl and housing class segregation in Seoul. To counter these problems, I suggest that the movement of upwardly mobile groups (and probably the investment-motivated groups) must be directed into "housing rehabilitation designated" areas rather than new residential lots in the inner city area. This requires a reduction, or removal, of various constraints that prevent them from rehabilitation investment. Some of the incentive packages developed in the United States over the past decades, in conjunction with community development programs, may be worthy of a serious review for possible adoption. The basic strategy is one of reducing the risk associated with investing in housing rehabilitation and renovation activities. Also important is the upgrading of public facilities and services concurrent with privately-initiated housing rehabilitation efforts.

This study has shown the unequal distribution of state-developed housing. In the private sector, the unequal resources of households are matched with unequal housing stock through the market mechanism: rich people live in expensive houses; less rich people in progressively less desirable housing. However, public housing should be

allocated not according to the ability of a household to sell the houses but according to 'need.' The recent democratic government has to emphasize that 'need' is the main criteria which determines the allocation of public housing. For this, the priority of housing eligibility should be given not to the amounts of contractual savings (housing installment deposit) but to income ceiling. The prioritized agenda in housing policy formulation now should be placed on a more equitable distribution of housing welfare by narrowing the housing gap. Whatever form such a policy may take, it would be one that eventually encourages residential mobility, and one that does away with some of the rigid anti-speculation measures.

I suggest the creation of a new institution as an independent department at the national level like the Department of Housing and Urban Development¹² in the US, the Housing Authority in Hong Kong, and the Housing and Development Board in Singapore. With regard to reorganization, the new independent housing authority should be responsible for overall policy formulation while the housing departments in the lower tiers, as the executive arm of the new housing authority, would oversee the planning, construction, and management of public housing estates. We may expect housing quality to improve as government intervention shifts from ad hoc intervention to planned intervention.

Housing policy should aim to improve housing quality rather than reach a quantitative goal such as that of the Two Million Housing Construction Plan. A

¹². The Department of Housing and Urban Development has traditionally given top priority to improving the quality of housing both for the country at large and for the people who take part in its programs (Frieden, 1985:380-81).

quantitative plan is not clear in terms of which group benefits. To implement a qualitative housing policy, the government should set a minimum housing standard and identify the sub-minimum standard houses. Then, using the sub-minimum standard housing data, the government can build various plans such as a new construction plan, a housing stock management plan, and a housing maintenance plan. The government can also provide various supports for the better implementation of the quality-oriented new housing policy. A housing conservation policy is particularly recommended not only because it is an economical way to supply decent housing (services), but because it would reduce the demand for newly constructed housing, thus slowing the rate of price increase in the long run. More public support should be given to self-help projects and renovation schemes. Loans could be made available for house maintenance and repair, in addition to the existing loans for construction. This would increase the housing stock by upgrading old houses, which would greatly benefit the lower income classes.

Finally, as the Korean state's overall policy goal slowly shifts its emphasis from speedy economic growth to consider the welfare and distributive aspects of its people, central policy makers need to show a greater concern for the problem of urban housing conditions. However, the shortage of land for the construction of housing persists as the crucial obstacle to expanding housing supply for most of the nation's cities, and is particularly acute in Seoul. The excessive rise in land prices and related land speculation in and around the land readjustment project areas has been the most frequently derided aspect in past land readjustment schemes, and it became one of the direct reasons for the government's recent decision to diversify the land development methods beyond land

readjustment.

With the pool of developable lands within Seoul almost exhausted, in the future such developments are likely to happen, if they are needed at all, beyond the green belt area currently encircling Seoul. As the new development sites will inevitably be located farther away from the city center, the development projects will have to be increasingly more self-sustaining in terms of essential urban functions. In other words, while past land readjustment schemes mainly focused on the residential aspect and depended upon the city center or adjacent districts for other types of urban services, forthcoming developments will have to be more comprehensive and have to provide a higher standard of commercial, service, and educational facilities as well as employment.

In conclusion, if there is an important theoretical lesson to be learned from developmentalist ideology serving as a guiding force in Korean urban development, it would be the key role of state intervention, state policies, and political leadership in shaping urban patterns. These political factors had more significant impact than economic factors in the complex configuration of variables which collectively determine urban structure. Therefore, the transformation of Seoul must be understood above all as part of a process of political change. Urban development and political change is dynamic processes, constantly interacting. Seoul, after all, is a vibrant testament to the vision of inspired national political leaders, and to the intimate links between city and state.

The Korean experience shows how successful urban and housing policies can be a powerful instrument for fulfilling both the economic development and the legitimization goals of the government. However, this method of urban development was incompatible

with the needs of the poor. Policies which changed the spatial distribution of economic activities, population, and infrastructure were unlikely to promote downward redistribution. Instead, they offered the opportunity of achieving government legitimation through the promotion of capital accumulation. The consequence of these actions was uneven residential development and growing housing inequality. The developmentalist Korean state and capitalists needed each other to promote national and urban economic development. Under the local-self government that will be established in 1995, we must be concerned about the emergence of a "pro-growth coalition" (see Mollenkopf, 1975, 1983 and 1992) consisting of elected local officials, development administrators, and local business leaders seeking to reshape the urban environment.¹³

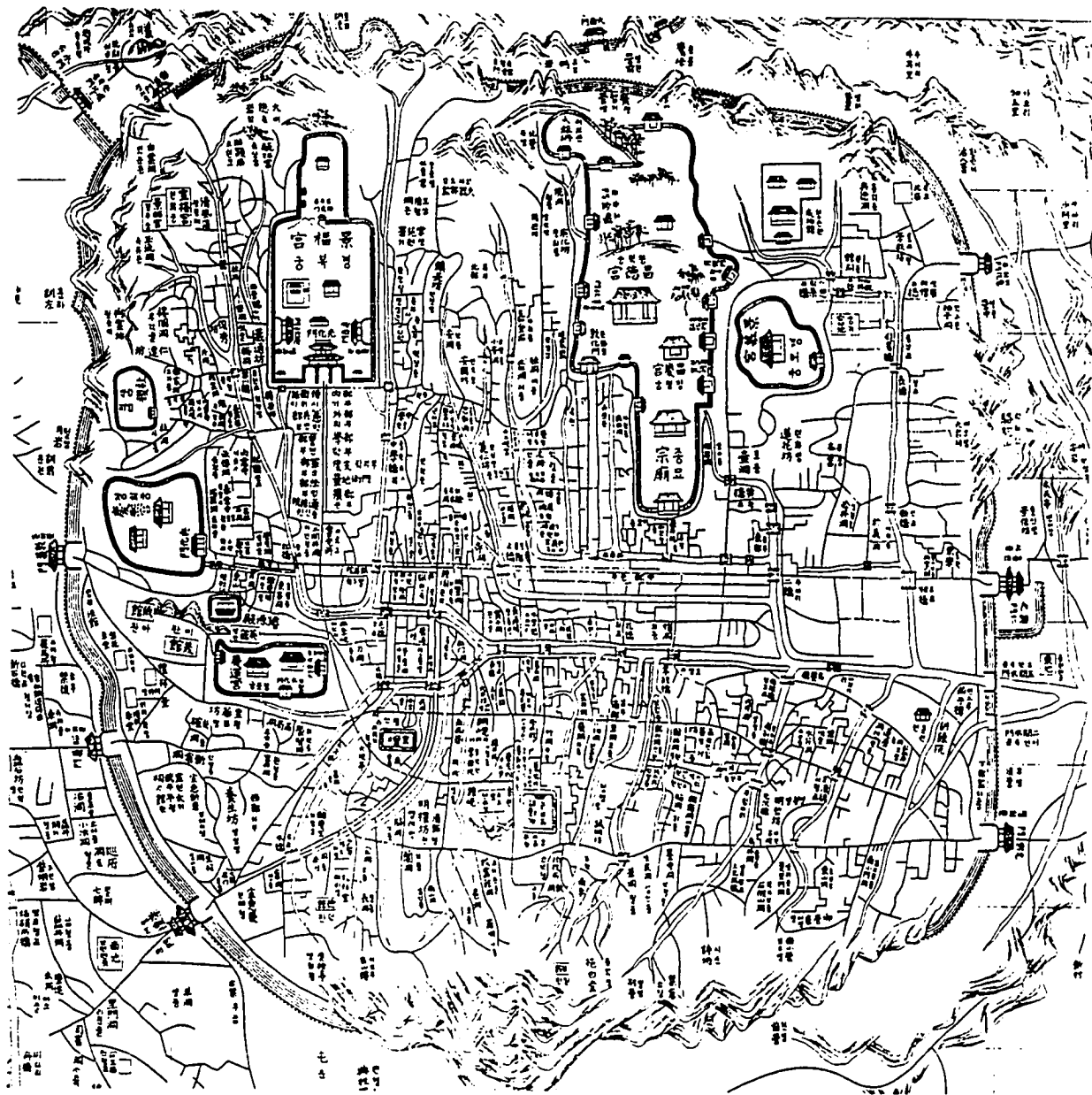
To achieve a fairly form of urban development, the Korean government must be willing to pay the costs of rapid urbanization as they are incurred, rather than defer them to an even more costly future. The developmentalist Korean government has made impressive accomplishments during the past three decades. At the same time, due to an increase in income inequality, it has created growing mismatch between housing demand and affordability. The mass production of 'new' apartment houses can never be the best solution of housing problems. A more balanced approach is necessary as the Korean state moves toward the next stage of national and urban modernization. More important than "How" resources are allocated is to "Whom" are they allocated. The solution to the

¹³. Until now, the political role of mayors within Korean urban development politics was that of an independent force because they were not elected by the public. Therefore, their only alliance was to the central government, and not to the private developers or to the electorate.

problems of housing distribution cannot be found in an institutional vacuum. Strong political will is required to introduce effective policies.

)

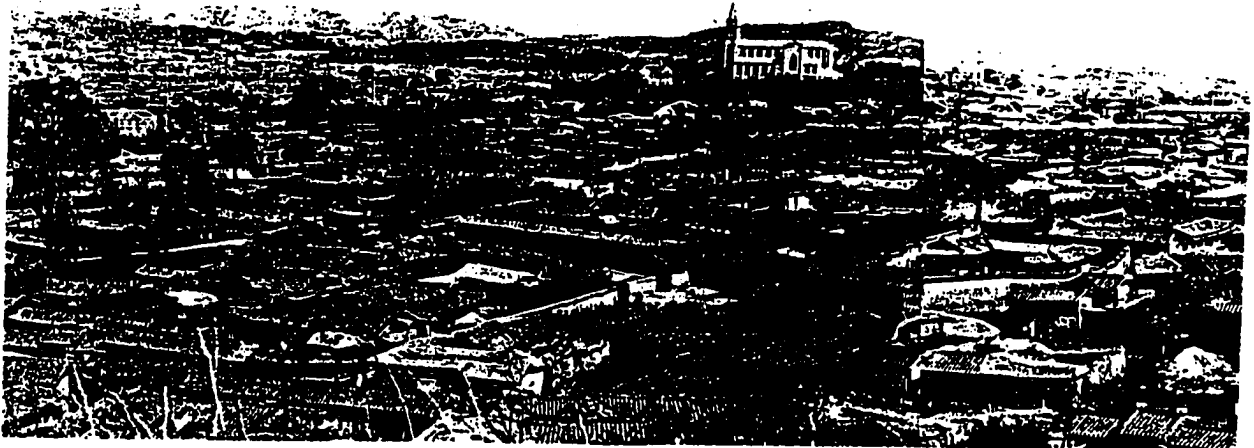
Appendix 1. Seoul in Nineteenth Century



Source: Gale, J.S. "Han-Yang (Seoul)." *Transactions of the Korea Branch, Royal Asiatic Society*. Vol.II. 1902.

Appendix 2. Transition of Seoul

Seoul around 1900

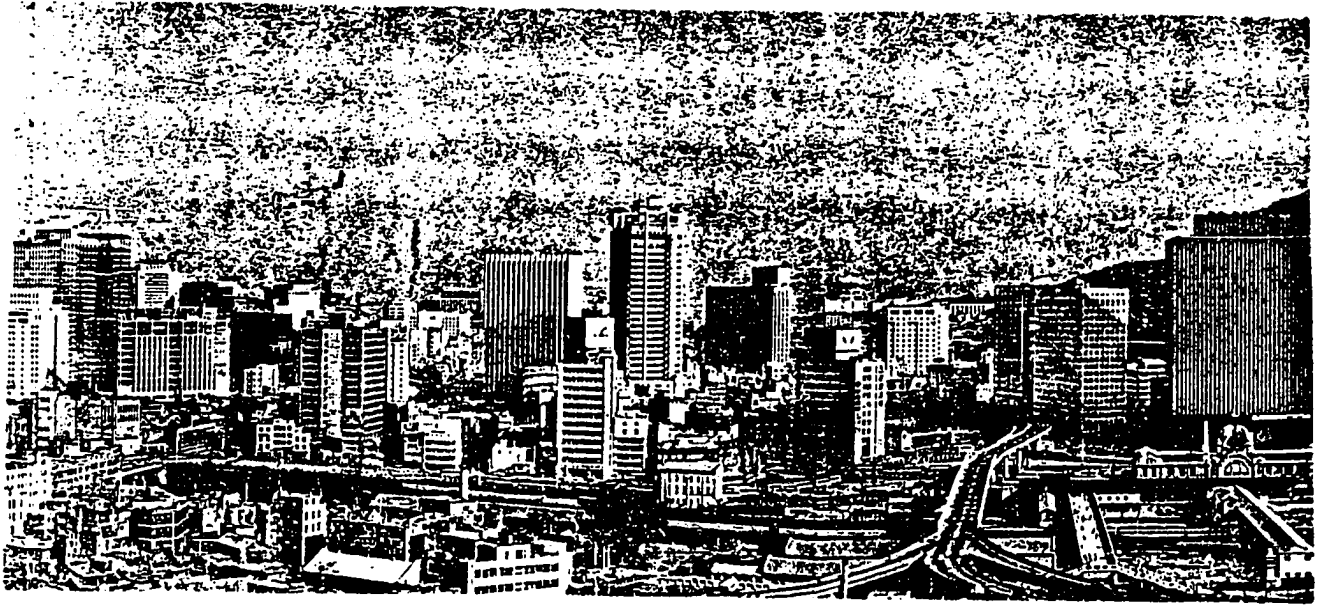


Seoul around 1920



Source: SMG. *Seoul 600 Nyunsa*. 1986:23-24.

Seoul today



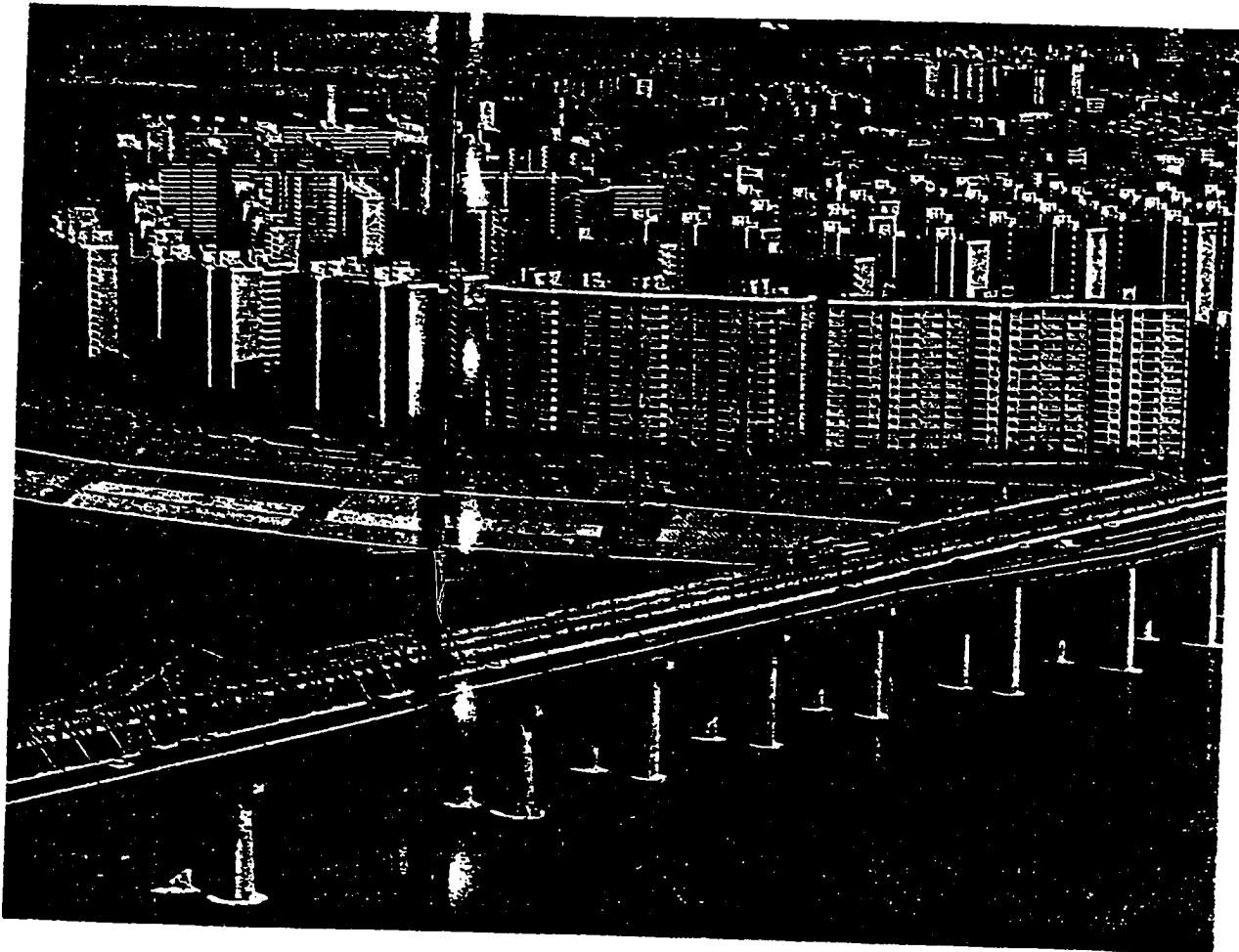
Appendix 3. Large Housing Complex in South Seoul



* The Jamsil Development Project, which also included the development of the Yongdong region, transformed a vacant lot into a massive housing complex has few rivals in the world.

Source: SMG. *Hang-Gang*. 1986:84.

Appendix 4. Appearance of Han-gang Riverside (I)



Source: SMG. *O'nul ui Seoul*. 1991:21.

The Appearance of Han-Gang Riverside (II)



Source: SMG. *O'nul ui Seoul*. 1991:29.

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