

The Rhee Regime, 1948-1960: excerpts from Michael J. Seth's "An Unpromising Recovery" from *Education About Asia* 13, no. 3 (2013) at <http://aas2.asian-studies.org/EAA/EAA-Archives/18/3/1139.pdf>

In 1953, both North and South Korea were shattered by the destructive three-year Korean War that left upward of two million dead and cities and towns in ruin. Already poor prior to the war, neither country had very promising prospects for the future. However, in the first eight years after the conflict, North Korea carried out an impressive recovery under a highly organized, purposeful government that appeared to be laying the foundations for a modern industrial society. By contrast, South Korea during this time was characterized by political corruption and turmoil, sluggish economic growth, and dependency on massive aid from the United States...

South Korea's economic development in the first eight years after the Korean War was hindered by political upheavals and pervasive corruption. Syngman Rhee, the first president who had served since 1948, governed in an authoritarian manner but was unable to provide the effective leadership that South Korea needed to create a stable political system and pull itself out of poverty. His Liberal Party had no real ideology other than perpetuating Rhee's rule and using his administration to personally advance the political and economic fortunes of its members. Nominally democratic with opposition parties and elections, Rhee and his Liberal Party supporters did not refrain from using bribery, electoral manipulation, and strong-armed tactics to maintain power. But rising discontent by a rapidly growing urban population, increasing public disgust with the regime's corruption, and the disappointments over the slow pace of economic recovery and growth made Rhee's hold on power increasingly tenuous. Losing its support, the regime took to increasingly extreme measures to maintain itself in power by pushing through a new National Security Law in December 1958 that made it easier for the government to crack down on critics under the name of endangering national security. In 1959, Rhee executed Cho Pong-am, who ran against him three years earlier. In 1960, Rhee stood for a fourth term, and the obviously fraudulent victory of his unpopular vice presidential candidate led to a violent student-led uprising in April that resulted in his exile to Hawai'i.

Following this "April Revolution," South Korea had a brief experiment with a more democratic government. On June 15, 1960, a new constitution was drawn up that created a parliamentary cabinet form of government that placed real authority in the hands of Prime Minister Chang

Myŏn. But the new administration of the Second Republic, as it was called, was no more successful in providing effective governance than the Rhee regime. Its brief one year of rule was plagued by a series of strikes, as labor leaders, teachers, students, and others called for the removal of all members of the old regime and the enactment of laws addressing their grievances for improved working conditions, more freedom to organize, and better pay. The decision by the Chang government to devalue the currency led to double-digit

inflation, adding to the distress of wage earners, as well as making the business community uneasy...With demonstrations by students, laborers, and various groups in Seoul occurring almost daily, there was an impression that the government was unable to establish order. Even more threatening to the government was the demand by students and other groups for direct negotiations with P'yŏngyang and the withdrawal of US forces from the country. This came at a time when the instability of the government was also seen by some in the military as a possible invitation to the North to invade again...

Under the Rhee and Chang Myŏn administrations, South Korea's economy grew at a painfully slow rate. It averaged about 4 percent a year, less than 2 percent per capita when the high birthrate was factored in. Starting with the low point at the end of the Korean War, these growth rates meant that in 1961 the country was still extremely poor. Furthermore, most of this modest growth can be accounted for by the massive amounts of aid the United States poured into the country. Washington financed most of the ROK operating budget, paying the entire cost of its large military. From 1946 to 1976, the United States provided \$12.6 billion in economic assistance; only Israel and South Viêt Nam received more on a per capita basis. To put this into comparative perspective: \$6.85 billion was given in this period to all of Africa and \$14.89 billion for all Latin America. The greatest amounts of aid came in the decade that followed the Korean War, yet during this time, there did not seem to be much to show for it. Partly, this was because much of the assistance to Korea was relief, including food and building materials for reconstruction, not for longterm development. With such aid, the basic infrastructure was largely rebuilt by the late 1950s, bringing South Korea back up to its prewar level. Still, American officials complained of aid funds being misallocated for political purposes and by the apparent inability of the Rhee administration to generate sustained economic growth. The Americans felt that South Korea was a "rat hole" swallowing up assistance without producing sustained economic progress.

The economic policies pursued by the Rhee regime were not conducive to rapid development. Rhee's government followed an import substitution industrialization policy in which imports were blocked in order to protect and encourage the development of domestic industries. While import substitution policies were pursued by many postcolonial states after World War II, this was not a practical policy for South Korea because it lacked natural resources and a large internal market. As a result, there was little industrial development. The economy instead relied on imported goods purchased with US aid funds, money spent by American soldiers in the country, and a flourishing black market in goods intended for the US forces stationed in the country...

The slow pace of economic recovery in South Korea, despite massive aid, was worrisome to the Americans, who by 1956 had become aware of the much faster recovery in North Korea. In 1957, they began cutting aid and insisting on a program that involved limiting the budget deficit to curb inflation and pressured Rhee to devalue the currency. These measures weakened the regime in the late 1950s but did not result in any economic

improvements. South Korea remained embarrassingly dependent on the US. "Could we preserve our self-respect as a sovereign nation, independent, free, and democratic," Park Chung-hee later wrote, being so dependent on the US, which had "a 52 percent majority vote with regard to Korea." Park was referring to the fact that the American aid accounted for over half of the government's budget. Economic conditions did not improve under the brief Chang Myŏn regime. The radical devaluation of the currency by the new government only led to inflationary pressures that contributed to the demonstrations and instability of 1960-61, a situation hardly conducive to investment or economic growth.