The Economic Implications of Japanese Colonial Policy in Korea

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Abstract

This article examines Japanese colonial policy in Korea and how it affected the economic realities and lifestyles of people in Japan and Korea. I argue that Japanese colonial policy in Korea led to unprecedented economic growth, but that Koreans were disadvantaged due to institutional discrimination. As a result, there was an increasing gap in living standards. Japanese capitalists and companies were given preferential treatment, which also led to a deterioration of the agricultural livelihoods of Japan. In summary, colonial policy compromised the livelihoods of both Koreans and Japanese farmers.

I. Introduction

Japan's imperial period is remarkable, because she was able to transform from a secluded backward agricultural economy to an internationally relevant industrial economic power with expansionist ambitions and colonial subjects. Above all, she succeeded in replacing China as the dominant political and economic power in Asia. A hitherto stagnant and internally divided Korea, which had been an arena for contestation between the imperial powers, was formally annexed in 1910 by Japan. Accordingly, the formal annexation allowed Japan to exclude rival powers from Korea. Unlike Japan, which consolidated as a nation-state during unification, laying the foundations for effective economic reform, Korea's transition from a feudal agricultural economy to a modern industrial economy was imposed by foreign imperialist invasion. The Japanese political and economic invasion almost completely destroyed the anti-feudal and revolutionary forces in Korean society and coalesced the Korean peninsula with the Japanese metropole, making Korea
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subservient to Japanese political and economic objectives from 1910 until 1945. By the outbreak of World War II, colonial Korea had embarked on a remarkable development trajectory. This was characterized by a high degree of heavy industry and an unprecedented level of education and average incomes. This enquiry seeks to highlight the main features of colonial interference in order to discuss and to assess their impact.

This essay argues that Japanese colonial policies resulted in unprecedented economic growth within Korea. However, these policies failed to properly integrate the indigenous population and allow them to participate and gain from economic growth. An incrementally widening gap in living standards and economic gains between the indigenous populace and Japanese colonialists was testament to the structural discrimination interwoven with the fabric of Japanese colonial policies in Korea and the resulting economic dualism. Furthermore, it argues that colonial policies were subject to imperatives derived from exogenous factors, such as international economic and political cycles, as well as endogenous factors such as domestic political discourses and problems within the Japanese empire, particularly within the Japanese metropole and Korea as a colony. Third, it is argued that benefits were distributed hierarchically. As a result, at the imperial level, Japanese were better off than Koreans. Generally, greater importance was given to corporations and capitalists, to the detriment of Japan's agricultural population, which found itself in worsening living conditions.

The paper will begin with a discussion of the different functions of colonies and academic schools of thought. This is necessary to understand the driving concepts and goals behind colonialism. A chronological historiographical overview over a selection of colonial policies will be provided, which will then be contextualised by reference to exogenous and endogenous determinants. These determinants produced the imperatives for colonial policies. Finally, the factors relevant for economic development and changes in Japanese and Korean living standards will be assessed.

II. Conceptual Discussion on the Functions of Colonies in the Literature

First, a discussion of the concepts framing the different functions of colonies is necessary. The acquisition of colonies requires considerable efforts to adapt the available resources to the needs of the metropole and to make them optimally usable, since the economic structure of the newly acquired territories is tailored to the needs of the local population. New value chains require adapted infrastructure and institutions in order to be able to serve the needs of the metropole. Therefore,
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scholarship has established terminologies and explanations to define different purposes colonies may serve. Both short-term and long-term objectives and underlying endogenous and exogenous parameters influence the decision to obtain colonies and help determine the ways in which colonies are assigned with a function. Ho and Gann note that colonies were assigned with a role to resonate with the metropole’s needs.¹ Correspondingly, colonies were acquired for economic and political reasons. Peattie suggests that pressures on indigenous sources of agricultural growth, caused by a growing population, in conjunction with a failure to meet the supply chains expanding demand for produce, leads to an increase of food prices and wages. An increase in wages threatens modernization, which requires constant investment in the modern sector. Rising labour costs reduce profitability and thus investment capital. On the other hand, efficiency-increasing innovations would expand production capacities without increasing unit labour costs. Politically, however, this would risk a volatile peace, since it threatens livelihoods as workers become redundant. Unemployed workers could not be transferred to other sectors since existing skills are not applicable or do not exist at all. In order to ward off a possible economic downturn in the metropole, colonies were acquired for tackling structural shortages of supply.² In short, an expanding industrial sector was inhibited by the inability of human capital to leave agriculture for the industrial sector due to the exhaustion of possible capacities and exploitable potential through efficiency increases.³ Ho establishes a terminology for a more nuanced discussion of the purpose of colonies. Settlement colonies alleviate population pressures on metropole food supply and allow excess population the chance to seek colonial opportunities.⁴ Plantation colonies provide the metropole with soil to specialise in the cultivation of crops for the metropole’s needs.⁵ Strategic colonies are sought for their geopolitically favourable position or strategic assets and resources, such as raw materials for the development of the metropolitan industrial sector. Financial motives in colonialism

⁴ Ho, "Colonialism and Development," 498.
⁵ Ibid, 499.
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bestow capitalists in a saturated and overheated metropolitan economy with opportunities to invest excess capital in the subjugated colonial territories.

These motives for colonialism, which may have shaped colonial policies, were not necessarily mutually exclusive. Another influential strand of literature on Japanese colonialism in Korea emphasises a dualism in its economic development. This dualism was either institutionally installed by restricting access to public goods and opportunities, or the result of the comparatively lower competitiveness of colonial companies and human capital. Accordingly, the colonial economy was made up of two sectors, spatially contiguous but economically autarkic. A small number of heavily capitalised corporations with modern technology and sophisticated productivity levels existed side by side with a large number of indigenous small enterprises. Most produced goods were exported from Korea to the metropole, with increasing output volumes, while indigenous enterprises remained underdeveloped. The colonial enclave structure, which was not integrated with the indigenous economy, and the necessities of the indigenous market being geared toward metropole demands, inhibited technological and productivity spill-overs to indigenous human capital. This disconnect was further aggravated because colonialists did not have to invest in labour-saving technologies, as low industrial wages were derived from low subsistence wages of indigenous workers in the hinterland. With low wages and relatively high productivity, the incentive to invest in expensive efficiency-enhancing technological innovations was weaker. Finally, the dualistic enclave structure was consolidated through further promotion of domestic production, in which corporations would be able to rely on indigenous producers or service providers.

Despite this, colonialism may have also served as a solution to surmount domestic unrest resulting from rising inequalities. Greater national projects of international scale diverted attention away from the deterioration of the economic situation and quality of life among the lower social strata. Colonialism thus projected

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7 Ho, "Colonialism and Development," 382.
8 Ibid, 368.
10 Ho, "Colonialism and Development," 381-82.
11 Jones and SaKong, Korean Case, 24-5.
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a future national goal to be attained as a destination through self-sacrifice and the subordination of individual demands. In addition, colonies were an asset in competition for international influence, conveying a multitude of meanings. Colonies projected metropolitan geopolitical strength, in which an abundant empire elevated an aspiring Japan to a similar global rank as Western global powers like Britain. Colonialism served as a vehicle to subordinate and suppress individual particularistic divisions in service a common goal. In addition, the prestige of interacting at eye level with established imperialist powers and the patriotic momentum gained from it could conjure domestic unity, coherence and legitimacy. This consolidation was reinforced by the narrative that declared imperialist expansion as a benevolent civilizing mission. However, there should not be an overemphasis placed on ideology, since pure pragmatic and geopolitical concerns often triumphed over a rigorous adherence to normative paradigms.

Looking at the international level, Japan was acting globally during the colonial era. Since international events and ideas influence the interior political discourse in the metropole and the colonies, Japan chose imperialism as a security response to a hostile international environment. This was spurred by past experiences of Western intrusion into Asia. Before Japan pursued a strictly realist imperial policy driven by the security dilemma, new ideas such as Wilsonian internationalism and socialist revolutionary ideas were discussed by a critical public. Japan was the most densely populated country in the world at the time of Korean colonization. The Japanese government had recognized that securing cheap food supplies was important in order to keep industrial wages low. The expansion into Korea was primarily driven by fears that population pressure could put an end to the ambitious modernization and industrialization project, including the security of supply and geostrategic security. The popular expression "a dagger pointing to the heart of Japan" circulated prominently in government circles. Wilsonian internationalism, which called for the self-determination of the peoples in the colonies, raised hopes for independence among Koreans, which culminated in the

12 Ho, "Colonialism and Development," 500-3.
13 Ho, "Colonialism and Development," 504.
15 Benson and Matsumura, Japan 1868-1945, 72.
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March 1st Independence Movement, which was severely suppressed.\(^{18}\) This and several other traumatic experiences, such as various famines triggered by volatile harvests and high rice prices, as well as the collapse of the markets for silk exports, raised critical voices on internationalism that were directed against anti-imperialist currents. Wilsonian internationalism was accused of being another conspiracy of the Anglo-American dominated white supremacy, with a strategy geared toward perpetuation of their white rule. With the global depression in 1920 and inflation, global financial dislocation pushed the labouring population to the fringes of their existence and sparked civil unrest. Japan abandoned internationalism because it was unable to appease realist security concerns and the need to ensure a stable resource supply.\(^{19}\) A nationalistic, group-identity-based expansionist model was chosen in order to arm Japan against an unpredictable Anglo-American dominated world order and to counter the dangers and uncertainties of expansion pre-emptively.\(^{20}\)

III. The Development of Japanese Colonial Policies

The following section assesses and identifies the Japanese colonial policies that were most responsible for the changes in Japan and Korea. This section attempts to make sense of these developments and the logic behind them by reconciling them with endogenous and exogenous factors which appeared to determine the maxims for action. Furthermore, it appears useful to structure the shifts in chronological order in order to establish connections to historical events, and therefore to draw correlations with their impact on subsequent colonial policy-making. Japan's transition from an agricultural to an industrial economy had led to a change in the fundamental factors that determine the competitiveness and viability of a modern economy. The First World War provided Japan with a historic opportunity to penetrate exposed markets in the absence of strong competitors who were involved in combat at the time. Accumulated capital was reinvested into industrial expansion. As a result, advanced manufacturing and heavy industry were developed in a short time. With export rates increasing by 50 per cent from 1913 to 1918, Japan was able to accumulate a solid capital stock to undertake investments in infrastructure, thus


\(^{20}\) Mosk, Industrial History, 119.
The Economic Implications of Japanese Colonial Policy in Korea consolidating what had been achieved and laying the foundation for further economies due to enhanced market integration.\textsuperscript{21} This was possible over such a small time frame as other competing industrial nations were in the process of post-WWI recovery. With such rapid growth, it was difficult to adequately keep pace with infrastructure and human capital development at a speed that could keep up with the growth necessary to supply an increasing workforce in the industrial sector with sufficient food.\textsuperscript{22} Export market shares around 1918 dwindled as the world markets were now shared with other players and rampant inflation caused by the dislocation of the financial markets worldwide drove prices up. After the outbreak of major turmoil because of the scarce supply of rice, Korea was designated as the principal food supplier to the metropole. This relieved the pressures on Japanese agriculture and kept industrial wage levels low, since they were correlated with food prices.\textsuperscript{23}

The beginning of military rule (budan seiji) in Korea in 1910 was characterized by a consolidation of rule through the establishment of a bureaucratic structure. General Terauchi, as governor-general, was tasked with laying the foundation for stable colonial rule. In doing so, he rigorously and harshly suppressed any manifestation of Korean identity and political organization. Korean texts disappeared from the public eye and Korean constables were replaced by Japanese ones. Japanese language and state control permeated all areas of life.\textsuperscript{24}

The two most important bureaucratic reforms of this period with implications for the economy and living standards were the Land Census Order and the Corporation Order. The Land Census Order had the task of scouting out and inventorying the productive factor of land. In order to optimally exploit the colony, the size of productive capacities had to be recorded. Unused land or land where the owner was unknown was seized. Shih-Yong concludes that this was in part intended to transfer Korean land to the Japanese.\textsuperscript{25} Approximately forty thousand undocumented land claims were transferred to Japan, its government-associated Oriental Development Company, and other Japanese cooperatives.\textsuperscript{26}

Another decisive bureaucratic, institutional intervention was the introduction of a license system for the foundation of companies.\textsuperscript{27} The official explanation was

\begin{itemize}
\item \textsuperscript{21} Hunter, "Japanese Experience," 79-81.
\item \textsuperscript{23} Hunter, "Japanese Experience," 80.; Peattie, "Japanese Empire," 256.
\item \textsuperscript{24} McClain, Japan, 341.
\item \textsuperscript{25} Chun Shih-Yong, Economic Life in Korea (Seoul: International Cultural Foundation, 1978), 156-7.
\item \textsuperscript{26} McClain, Japan, 341.
\item \textsuperscript{27} Shih-Yong, Economic Life in Korea, 157.
\end{itemize}
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that this was intended to minimize speculation and eliminate joint-stock firms. Shih-Yong suggests that it was instead intended to prevent Koreans from doing business or even competing with Japanese companies. Only 105 licences were issued, which is testament to the impediments imposed upon indigenous entrepreneurship.28 Many former Korean landowners and farmworkers became tenants because they lost their land rights almost overnight and because they could not pay for the land reclamation and irrigation improvements imposed on them. Although many other later developments put increasing strain on Korean farmers, Japan's shortage of rice in 1918 was the greatest catalyst for the emergency. During this shortage, Japan sought to increase rice cultivation in Korea. Furthermore, sectoral specialisation was being implemented - Korean farmers began to produce more for Japan and were forced to resort to an inferior diet. Political considerations also played a role - a cheap and large supply of rice from colonies to Japan calmed down a food-deprived and unsettled Japanese population and created domestic political calm.29 Japanese imperial officials had Korean farmers pay for modernization projects in the form of high taxes, which impoverished many of them and forced them to mortgage their land.30 As a result, Koreans became tenant farmers on the very acreage they had been tilling for centuries.31

The shift away from oppressive military rule came with a responsiveness in Japan for liberal ideas with the advent of Wilsonian idealism. Additionally, emancipatory movements with socialist ideas emerged, questioning the marginalization of the peasantry and working class and calling for colonial. Terauchi's harsh approach instigated resistance among the Korean population, which culminated in the March 1, 1919 riots, which were bloodily suppressed.32

Various socio-economic crises caused policy shifts in the empire in the late 1910s and early 1920s. Impoverishment, hunger from food supply deterioration and social class struggles in rapidly industrializing capitalist Japan provoked the rice riots, while it was already dealing with uprisings in Korea. Finally, around 1918, the slowdown in export share growth due to increased international competition after

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28 McClain, Japan, 105.
31 Benson and Matsumura, Japan 1868-1945, 67.
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other economic competitors had recovered from the shocks of the First World War forced the government in Tokyo to act.

Liberal Prime Minister Hara Takashi, who came into office in 1918, argued that repression was the wrong way for colonial rule. He argued that more liberal colonial policy should, therefore, defuse the fierce opposition to Japan in Korea. He was convinced that rapid assimilation could be achieved most effectively through greater inclusivity. This was to be achieved through the expansion of civil liberties and self-expression options and by relaxing publication regulations. The military gendarmerie, which during the same period was notorious for the brutal suppression of the independence movement, was replaced by a civilian police force. In addition, legal disadvantages, such as in corporate law, were removed, which should have opened opportunities for entrepreneurial activities. The accessibility of education was targeted by an expansion of the education sector, and employment opportunities for Koreans in the public service were expanded. The epoch known as cultural rule (bunka seiji) aimed to create harmony between Korea and Japan. For this purpose, Admiral Saito Makoto had been appointed the new governor-general. Attempts were made to instil legitimacy and identification with Japan through the incorporation of cooperative Koreans and indigenous organizations into the Japanese political establishment, while anti-Japanese currents were suppressed and isolated in parallel. Hunter concludes that this cultural rule followed the principle of 'divide and rule'. Koreans rarely had access to the higher quality educational facilities open to Japanese. Japanese took precedence over Koreans, and the cost of this educational institution was borne entirely by the Korean people. Cultural rule barely met Hara's goals since Hara was murdered in 1921. Peattie deduces that the assimilation of Korea with Japan, in fact, had nothing to do with the expansion of civil and political rights and freedoms but was instead a sophisticated attempt to impose Japanese values and culture.

Economic realities in the late 1920s and natural disasters such as the Kanto earthquake incited transformative processes within Japan's society and political system, which moved from a pluralistic system to a nationalist totalitarian mobilisation system. A recession in the late 1920s caused smaller companies to go bankrupt. The collapse of the silk export market, especially in the United States, was

34 McClain, Japan, 343; Peattie, "Japanese Empire," 233-6.
38 Gordon and ProQuest, History of Japan, 182.
caused by record-breaking productivity paired with the lack of sufficient market capacity, which undermined the incomes of the millions of peasant farmers.\textsuperscript{39} Wages, already low, fell by a third between 1925 and 1931. Famine, resulting from poor harvests and natural disasters, hit Japan. Moreover, the bankruptcy rate in Tokyo almost doubled from 1926 to 1931. These bankruptcies led capital concentration into conglomerates through mergers and acquisitions. Thirty closings in the banking sector in 1927, for example, exemplified accelerating capital concentration in the financial sector. This had a rationalizing effect, since the economy was cleansed of inefficient companies that weren’t effective enough to adapt to the new circumstances.\textsuperscript{40} In Tohoku, the Japanese government tried to alleviate misery, given the prevalence of infanticide and the sale of children in prostitution. Benson infers that peasant poverty was a cause of the reactionary turn and the growing susceptibility to aggressive fascist ideas. Furthermore, a great part of Tohoku peasantry joined the core of the imperial military when the expansionist period took off.\textsuperscript{41} To deal with the crisis, Japan introduced production and marketing rules that did not extend to Korea. Accordingly, Korea was no longer seen only as a source of raw materials, but also as a market and production location that appeared more lucrative for Japanese capitalists, as there was less regulation and market intervention by the state compared to Japan.\textsuperscript{42} Both among the masses and in the elite, there was the perception of a crisis in the economic status quo, associated with the inability of parliamentarianism to resolve crises. Coupled with an increasingly powerful industrial and banking group that had an interest in expansion and foreign markets, the call for new departures abroad and at home became loud.\textsuperscript{43} As a first step, the colonies were assigned a new function in the wake of depression and as an introduction to a shift in economic strategy - colonies were now regarded as opportunities for investment, with favourable location factors such as the abundance of low-wage labour and the abundance of raw materials and natural energy resources, such as hydroelectricity.\textsuperscript{44} In 1934 there were 5,000 production sites, ranging from goods such as leather and soap to textiles in Korea. The textiles industry dominated the landscape with 41 per cent of Korean workers employed there. Korea was also

\textsuperscript{39} Robert Castley, \textit{Korea’s Economic Miracle: The Crucial Role of Japan} (Houndmills: Basingstoke, 1997), 40.

\textsuperscript{40} Hunter, "Japanese Experience," 81.

\textsuperscript{41} Benson and Matsumura, \textit{Japan 1868-1945}, 72-5.

\textsuperscript{42} Castley, \textit{Korea’s Miracle}, 41.

\textsuperscript{43} Gordon and ProQuest, \textit{History of Japan}, 186.

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attractive because the labour costs for labour-intensive industry in Japan had risen, which is why Korea offered a comparative labour cost advantage.\textsuperscript{45}

The military and large corporations used the Manchurian Incident in 1931 to appeal to jingoistic patriotic reflexes in order to usher in the era of war preparation and mobilise the masses for the overarching imperialist goal. Above all, this approach was a way of projecting problems and domestic turmoil outwards through expansive imperialism that appeared to work towards a historically predestined imperialist goal. Governor-General Ugaki assumed office in 1931. With the acquisition of Manchuria, Korea was to be incorporated into the industrial sector of the empire. Korea had cheap labour and resources to offer. The worldwide economic depression led to the emergence of exclusive protectionist economic zones. The large corporations in Japan created by mergers and acquisitions in the crisis years of the 1920s were under pressure to find new markets for investments and expansion, which is why Korea was chosen.\textsuperscript{46} In order to remain competitive in a threatening and unpredictable world with competing empires, advanced technology was required. Since access to foreign advanced technology was no longer secure, Japan had to rely on self-sufficiency. Accordingly, the colony had to play a more prominent role in building productive capacities in the manufacturing sector, and heavy industry sector above all.\textsuperscript{47} Japanese corporations and the Japanese metropolitan state were committed to the imperial project. Japanese industrialists were encouraged to invest and become active in strategic areas such as mining and steel production, chemical production and energy production in Korea. In order to minimize transaction and transport costs and to integrate the new heavy industry more optimally into the metropole structure, massive infrastructure projects were carried out.\textsuperscript{48} In the spirit of the new totalitarian departure, the more liberal policies of cultural rule were terminated and policies which granted Koreans rights to cultural self-expression were completely extinguished by a coercive program of ethnic assimilation.\textsuperscript{49} Correspondingly, the Korean language was completely banished from the public, in line with the goal of integrating Korea properly as an integral part of Japan. Korean companies were unable to compete against Japanese government-sponsored and subsidized companies. Accordingly, Koreans were purposely disadvantaged in the short run, although they benefited in the longer term from the inherited Japanese

\textsuperscript{45} Castley, Korea’s Miracle, 39-41.
\textsuperscript{46} Shih-Yong, Economic Life in Korea, 163.
\textsuperscript{47} Mosk, Industrial History, 119.
\textsuperscript{48} Cumings, "Japanese Colonialism," 192.
\textsuperscript{49} McNamara, Korean Enterprise, 37.
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infrastructure. In general, the spill over effects were rather weak, since the entire production range was geared towards metropole needs derived from the necessities imposed by pre-war preparations and future imperial expansion objectives. In addition, Koreans were poorly trained to compete on the labour market to justify increasing pay for increasingly complex tasks, which is why they were mostly employed in inferior positions with poor working conditions. Finally, even in the same positions with similar qualifications, Japanese were remunerated better than Koreans.50

At this point, the significance of rice in the whole debate should be re-emphasised. Many considerations depended on rice and its availability, which had an imperative influence on colonial policies. Regarding Japan, the supply of rice was key to keeping industrial wages low and keeping industry competitive at international prices. Furthermore, with growing industry along with growing labour demand, labourers left agriculture, which in turn drove up food prices.51 Rice from colonies with lower wage costs could provide the economy with an expanding industry with affordable food so that industry could pay low wages and thus remain competitive on the export market. This relationship had two downsides for the populations concerned. On the one hand, because Japan consequently extracted surpluses from Korean farmers and because Korean farmers had to pay rent for the use of the fields they were cultivating, they had to sell part of their subsistence crop, which was why rice consumption dropped by a fifth and Koreans were increasing consumed lower-quality cereals instead.52 On the other hand, there was also a loser in this context in Japan - Japanese peasants. By importing from Korea, city-dwelling industrial workers benefited from higher purchasing power because of Korean imports. Industrialists benefitted from lower wage levels. However, low prices for Korean products destroyed the livelihood of Japanese farmers, who could not keep up with these prices. These policies implied a deliberate choice to give preference to capitalists to the detriment of the Japanese peasantry.53

Hara notes that divergent productivity developments between agriculture and industry during the interwar period combined with Korean rice imports exacerbated the situation. This had such a wide impact that, for the first time, civil initiatives and agricultural associations convinced the government to change the policy. With the

50 McClain, Japan, 462-3.
51 Ho, "Colonialism and Development,"350.
52 Benson and Matsumura, Japan 1868-1945, 67; Ho, "Colonialism and Development", 379.
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Rice Distribution Act, rice, as a previously freely tradable commodity, was now subject to state distribution and price regulation.54

IV. Conclusion

This investigation examined the motives for colonialism in order to delineate different schools of thought in the scholarship. To return to the hypotheses, this investigation concludes that Japan contributed to economic growth through its imposition of economic modernisation in Korea.

In fact, we can observe dualistic phenomena in our discussion. First, I established an economic dualism. The enclave structure in the colony, the lack of integration of indigenous human capital and the absence of intermingling of indigenous industries with modern industry tailored to foreign needs, and the faster expansion of industry, exacerbated this enclave structure and intensified the divergence between the two sectors. In Japan, the orientation of the industry towards export markets and the rapid expansion in unrivalled markets during the post-WWI years showed a development divergence with the industrial sector. The depression of rice prices by rice imports from Korea disincentivised productivity improvements in Japanese agriculture and thereby exacerbated the divergence of the two sectors.

The second dualism points at bureaucratic-institutional structures. Koreans were disadvantaged by corporate laws and land dispossession. Even after the establishment of equal capitalist freedoms, the Korean population was structurally restricted by a much smaller capital stock, which made it difficult for them to provide sufficient capital for key investments and thus to be competitive. In addition, Korean human capital was left poorer, and had only limited access to the same opportunities to catch up through education. Accordingly, the starting positions of Koreans and Japanese were completely different, which was reflected in income levels. This was because Koreans had a poorer negotiating position as a result of the educational imbalance. It is difficult to extrapolate whether it was just discrimination or whether considerations of marketable human capital assets contributed to this phenomenon.

Colonial policies were exposed to exogenous and endogenous factors, and both determine and are determined by economic outcomes and living standards. The rice import policy, which was at the expense of the impoverished farmers and in favour of the companies, came under domestic political scrutiny. It was decided to make political concessions not only to respond opportunistically to Korean upheavals and to achieve a good peace for better economic performance but also to reduce

susceptibility to socialist narratives on the precarious situation of peasants and proletarians in a capitalist order. It cannot be clearly extrapolated whether the change from military rule to a more liberal cultural rule came about out of fear, conviction or economic necessity. However, international embeddedness and a critical public could now influence the economy and quality of life by changing the socio-economic order. Furthermore, the policy of imperial acquisition and a race of for resources was motivated by a fear of falling competitiveness in a more interconnected world.

Finally, colonial policies left the Japanese structurally better off on average, as they were privileged by bureaucratic-institutional arrangements while Koreans were generally neglected. This hierarchic preference for Japanese significantly contributed to the previously described dualisms, such as better wages for Japanese, subsidies and capital supply for entrepreneurial activity for Japanese and land dispossession of Koreans. At the micro-level, however, there were hierarchies also within Japanese society. The imports of rice risked the livelihoods of the peasantry in favour of capitalist expansion, which led to the depression of living standards and disposable income. Ultimately, the modernization resulted in improved dissemination of education in both countries, albeit in different qualities, which contributed to the improvement of human capital stock and, accordingly, tools to achieve a higher income and more prosperity. More prosperity and modernization also improved framework conditions for improved health. Japanese colonial policy led to economic development in Korea and multiple effects on Korea and Japan. However, this policy did not allow the indigenous population to participate appropriately and benefit from economic growth. A widening gap between standards of living and economic gains between the indigenous population and Japanese colonialists was evidence of the structural discrimination that was interwoven with the structure of Japanese colonial policy in Korea and the resulting economic dualism.

Bibliography


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