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#### THE ROLE OF THE STATE AND BALANCED URBAN HIERARCHY: THE CASE OF SOUTH KOREA

BY

June Woo Kim

## A THESIS

Submitted to Michigan State University in partial fulfillment of the requirement for the degree of

MASTER OF ART

Department of Sociology and Urban Studies Programs

#### ABSTRACT

#### THE ROLE OF THE STATE AND BALANCED URBAN HIERARCHY: THE CASE OF SOUTH KOREA

By

June Woo Kim

This article was written for the further understanding of the urban processes in South Korea, specifically of the urban hierarchy. Previous literatures focused on the external parameter and the internal variables. External parameter is the structural position of South Korea in the world economy. Internal variables are the 1)transportation infrastructure built during the Japanese colony, 2)absence of urban-based elites, and 3)the developmental state.

The present paper noted that the South Korea has maintained relatively balanced city system and argued that the priority in explanation, among the internal variables, should be endowed to the role of the state. The developmental state established after 1961 military coup changed the class structures and the transportation infrastructure. Also the autonomy of the developmental state in South Korea led the decentralization by indirectly supporting transportation infrastructure and by directly relocating industrial sites. Copyright by JUNE WOO KIM 1995 This thesis is dedicated to my father (Dr. Yung Che Kim), mother (Ms. Myeung Hae Lee), elder syster (Ms. Soo Im Kim), and younger brother (Mr. Sung Jee Kim)

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I'd like to thank to my committee members: Dr. Richard Hill (the chairperson of my committee), Dr. Steven Gold, and Dr. John Schweithzer. Many references used in this thesis are from the reading list of Dr. Hill's course "comparative urban theory." The course was intellectually stimulating. It was not just his teaching that enabled me finish the thesis. For several times he gave me precious comments which helped me a lot. The distinction between demographic and functional primacy is one of them.

Dr. Schweitzer, who is my major advisor in Urban Affairs Studies, enable me to have a double major degree and also financial opportunity. His concern about outreaching academic expertise to down-to-earth gave me great impression. Helping his research has been great experience to me.

Dr. Gold gave me opportunity to think how this thesis can be related with my future research by his comments. Along with his comments I also thank his kindness in helping me finish the thesis.

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#### CHAPTER I

#### INTRODUCTION

Problems of urbanization and demographic changes in the Third World have received a great deal of attention in the second half of the twentieth century. The area's rapidly growing cities and steadily increasing populations present an enormous challenge to researchers, planners and political leaders. Despite important differences in the ratio of urban to rural population and the patterns of city growth among these nations, urbanization has become a pervasive phenomenon in the most parts of the Third World (Smith, 1985).

A surge of interest in population, urbanization and development in the 1950s and 1960s resulted in a number of social science research projects focusing on the Third World's population and development. Some of the researchers brought the basic assumptions of the then-dominant "modernization theory" perspective to their work. This model of development was explicitly or implicitly based on North American and European experiences (Keyfitz, 1965). Urbanization was seen primarily as an endogenous dynamic within the Third World

societies. Presumably, these countries were traveling a course previously followed by the West. City growth, industrialization, and social, political, and economic development were conceptualized as intermeshed, mutuallyreinforced changes leading to modernity (Bose, 1971).

social scientists began to acquire a better As understanding of the processes of Third World urban growth, the developmentalist assumptions of the conventional paradigm came into question. Unfortunately, the empirical reality of the cities in the Third World provided little evidence to support the view of the city as a dynamic generator of economic and social development. Instead researchers (e.g., McGee, 1969) were reporting increasing levels of urban squatter primacy, burgeoning settlements, growing unemployment, and heightened inequalities.

Urban primacy came to be one of the hot issues. It is not difficult to understand why. The primate city, more than any other urban phenomenon, has been closely identified with the structured economic imbalances and social inequalities characteristic of the Third World countries, countries we now refer to as the peripheral parts of an all-encompassing worldeconomy. Theories of both economic dependency and urban primacy grew up with the Latin American experience in mind. In Latin America, economic domination by colonial and postcolonial powers of the world-economic core was obvious to most observers and urban primacy was overwhelmingly in evidence.

The main popularizer of dependency theory, Andre Gunder Frank (1969), paid special attention to urban primacy in his description of the mechanisms promoting the underdevelopment of Latin America. After Frank, other students of underdevelopment in the Third World elaborated upon that model with theories of direct relevance to urban primacy per se. Urban primacy became an explanation for economic dependency and economic dependency became an explanation for urban primacy (Castells, 1977).

One common problem in much of these researches is the tendency either to emphasize the dichotomy between "core" and "periphery" or "dependent" and "autonomous." Adherence to this over simplified notion of dependency, however, implies a basic uniformity among a wide range of non-core nations. This is inadequate given the obvious diversity in developmental dynamics among Third World nations.

This deficiency is at least partially corrected when a more comprehensive conception of world economic system, like that proposed by Wallerstein (1976), is accepted. This reconceptualization further allows for and intermediary stratum of "semiperipheral" countries as "a necessary structural element in the world economy (Wallerstein, 1976)."

But this reformulated approach stressing hierarchical strata in the world economy is not without weaknesses, either. A common critique of the entire dependency/world-system "school" involves the overemphasis on external relations and

inadequate attention to the internal dynamics of the areas labeled dependent. Recently, many scholars (Walton, 1982; Nemeth and Smith, 1985) claimed that systems of cities in developing nations are considerably more complex than many researchers in both the modernization and dependency/worldsystem paradigms have acknowledged. Careful attention is now being paid to the ignored "internal dynamics". Internal sociopolitical factors such as class relations, the state, and ecological infrastructure, seem to exert themselves as intermediating variables between the role of a nation in the world economy and the urban system of a given nation. Kim says:

"None of the particular theories of urban primacy pays any attention to how variations in the local substrate, such as variations in local class structure, condition in the pattern of urban development (And two equally underdeveloped economies can be otherwise quite different). Thus none of the theories can explain, for example, why Guatemala developed a primate city before 1970, but El Salvador did not. The only theory that can explain the divergent patterns in those two countries is taking the local and historical conditions into account (1988, p. 89)."

These class-relational urban theorists accept world system interrelationship as broad parameter and internal political ecological variables as specific patterns. In some countries the role of the state was found to be one of the important

internal variables. For example, Hill and Fujita (1995), while basically accepting the world system theory, argued that the strong developmental state in Japan played a great role in the functional primacy of Tokyo over other cities.

This article tries to articulate the role of the state in South Korea as the most important internal variable in the urban process. Specifically, I'll concentrate on the city size distribution of South Korea during the developmental government period led by president Park, from 1961's military coup until the year of 1979.

The second method is based on the assumption that a regular distribution of city sized is "normal" and facilitates balanced economic growth. This concept has been so widely accepted that it has taken a form of a rule, the rank-size rule. In a city system that conforms to the rank-size rule, the second largest city is one-half the size of the largest, the third largest city is one-third the size of the largest and so on (Walters, 1985). When this ideal rank-size distribution is graphed on double-logarithmic paper, it forms a straight line, hence it has also been called a log-normal distribution.

In this article, urban hierarchy is measured basically by demographic city size distribution. But it seems necessary and also appropriate to point out that there is the other way of measuring urban hierarchy. It is measuring "the size of cities" in terms of its functional role rather than the population.

This concept of "functional primacy" are based on the assumption that cities are systematically arranged in hierarchies according to the functions they perform (Friedmann, 1964). Friedmann (1964) additionally suggests that the existence of a hierarchy of urban places is functional for the system as a whole: it "represents the ultimate means for organizing a geographic area into its component social political-administrative and economic spaces." Berry and Kasarda (1977) makes essentially the same point when they

argue that the urban hierarchy is "the instrument whereby society, polity and economy are integrated over space." A system of cities performs those integrative functions because cities are centers of economic activity, nodes of transport and communications networks, and centers of regional economies. Hill and Fujita (1995) studied the increasing functional primacy of Tokyo over other cities in Japan. They used the term "Central Management Functions" which are the command, coordination, and innovation activities that enable a city to become a regional, national and global power.

In this section, I distinguished demographic primacy and functional primacy. Demographic primacy, which is to be used in this article, is one of the two important measurements for the urban hierarchy.

#### CHAPTER III

# PREVIOUS RESEARCHES ON THE URBAN HIERARCHIAL SYSTEM OF SOUTH KOREA

As mentioned in introduction, the close connection between dependency theory and the primacy of the Third World has been presented. But focusing on the primacy hinders an explanation of the dynamics of cities in newly industrializing Asian nations such as South Korea. South Korea does not have a highly primate city size distribution. Manufacturing and other types of specialized cities grew that were not satellites of the national metropolis, Seoul (Mills and Song, 1979). As national metropolis and center of control / coordination activity, Seoul is dominant, but South Korea does not have a highly primate city system by the world standards. In 1960 the Davis primacy index (D = P1/(P2+P3+P4)), which is the population proportion of the primate city divided by the population sum of the 2nd, 3rd, 4th cities) had an average of about 1.42 and a range from 0.51 to 4.64 in the forty-six countries of the world which had at least four urban areas with more than 100,000 people. Davis' primacy index for Korea was 0.87 in 1955, rose steadily to 1.53 in 1970, and fell

slightly to 1.51 in 1975. The 1975 value of davis' index for Korea is slightly above the 1960 worldwide average of 1.42 but well below its value for such countries as Argentina, France, Hungary, and Mexico. Japan's primacy index was 1.62 in 1950. Thus, despite the concentration of people in Seoul, Korea is not a highly primate country by worldwide standard.

Previous researches trying to understand South Korea's relatively even urban hierarchy have articulated both external broad parameter and specific internal variables. About the external broad parameter, the position of the South Korea in the world economy was found to be helpful in distinguishing the urban hierarchy of South Korea with those of others. After comparing the patterns of urbanization in the Philippines and the South Korea, Nemeth and Smith (1983) concluded that there relationship between the two countries' is а present structural positions in the world economy. In the article, three internal variables are presented: ecological factor, class structure, and the state. About ecological factors, they focus on the well developed railroad and port system built during the Japanese colonialization period. Second, they argue that the absence of the indigenous urban-based elites is the characteristics of the Korean class relations. Third one is the existence of the strong, developmental state.

Their arguments about internal variables can be reorganized by the time sequence. During the Japanese colonial rule (1910 - 1945), the investment on the urban infrastructure

in South Korea led to the balanced urban hierarchy. The colonial rule and the following Korean War (1950) led to the absence of the urban-based elites. Absence of urban-based elites enabled the developmental state established after 1961 military coup, start the Export Oriented Industrialization (EOI) strategy (Kim & Roemer, 1979). EOI is again contributed to the decentralization because it did not need manufacturing factories to be located near the primate city. In other words, what he is arguing is that balanced urban hierarchy has been maintained throughout the history of Korea and the internal variables are equally important factors.

Contrary to their explanation, I contend for the primacy of the state in explaining South Korea's relatively low primacy rate. First, the contribution of Japanese rule to the social infrastructure of South Korea is meager. It is not until the 1960s that the highway sytems, which is similar to the interstate freeway system in the United States, has started to be built. It was the developmental state who started to build the highway system. Second, there did exist the urban based elites. There was a parasitic bond between monopoly capitalists and corrupt state bureaucrats. It was also the developmental state who changed this class structure. To make things short, as far as the "balanced urban hierarchy of South Korea" is concerned, it is "the role of the state" where the analysis should start.

In order to support my own contention, I'll show the

fluctuation in primacy rate between 1960s through 1980s, which can be a good evidential data in identifying of the causality relations among the internal variables. Nemeth and Smith's arguments are based on the static, and simplified description of the urban phenomenon in South Korea. The primacy rate of South Korea, in fact, never stayed quite constant, rather it has changed significantly over time. As in Table 1, during the 1960s population concentration to Seoul, the capital and primate city of South Korea, is spectacular. During the 1970s, population decentralization can be found out. Seoul's population share out of the sum of the rest of the cities, reduced from .719 in 1970 to .627 in 1980. Table 2 shows that the urban population growth rate of Seoul during the 1960s was 1.127, which is quite high compared to the .55 for Busan the second largest city and .44 for other cities. During the 1970s, the urban population growth rate of Seoul drops to .45. Other cities' population growth dramatically rises up to .93.

During the 1960s, Seoul was a magnet for internal migration. Between 1960 and 1970, Seoul absorbed nearly 52 percent of total urban population growth, which is about 40 percent of total migration. It is in the 1970s that other cities as alternative destinations for internal migration gained in prominence. After 1970, Seoul's share in total urban population increment fell greatly and became smaller thereafter (Kim, 1988). Table 3 indicates that the year of the 1971 was the peak in Seoul's share of the urban populations. Table 1 : Urban Concentration / Primacy Indices 1960 -1980. (Sources: 1960, 1970, 1980 Korean Population Censuses; Nam, Sunghee. 1938. "From Overurbanization to Decentralization: An Analysis of South Korean Urbanization 1960-19-80." Ph.D. Dissertation. Pp. 113. University of Wisconsin.)

Year	Seoul/ Next City	Seoul/ Next 5 Cities	Seoul/ rest of cities	Seoul/ Total pop
1980	2.674	1.160	.627	21.67(%)
1970	2.943	1.223	.719	17.61(%)
1960	2.100	.856	.473	9.78(%)

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Table 2 : Urban Population Growthrate 1960-1970 and 1970 -1980 (Sources 1960,1970,1980 Korean Population Censuses; Nam, Sunghee. 1988. "From Overurbanization to Decentralization: An Analysis of Sou-Korean Urbanization 1960-1980." Ph.D. Dissertation. Pp. 114. University of Wisconsin.)

	1960-1970	1970-1980		
Seoul	1.127	. 45		
Busan	.55	. 59		
other cities	. 44	.93		

Table 3 : Trends in Seoul's share of Urban Population (Sources: Ministry of Home Affairs, Municipal Yearbook of Korea; Kwon, Won Yong. 1981. "A Study of the Economic Impact of Industrial Relocation: The case of Korea." Urban Studies . 18: Pp.79.)

ïtar	Urban pop. (A)	Scoul's pop. (B)	Seoul's share (B/A) %	Extropy measure	Concentration ratio %
961	7,109	2,577	36.26	2.3683	28.14
863	8,732	3,255	37.27	2.4449	29.46
<b>%</b> 5	9,267	3,471	37.45	2.4413	29.56
967	10,155	3,969	39.94	2.4029	30.67
969	11,505	4,777	41.52	2.3243	32.94
971	13,519	5,851	43.28*	2.2633*	37.28*
973	14,988	6,290	41.96	2.3660	33.45
975	16,793	6,890	41.03	2.3818	33.01
977	19,218	7,526	40.71	2.3786	33.09
979	20,416	S,114	39.74	2.4298	32.71

To my opinion, this fluctuation in primacy rate seems to be directly related to the South Korean government's decentralization policy in the course of rapid economic development, as I'll explain more in detail. It also supports my claim that the state is an active agent shaping the urban process in South Korea. It means that the priority should be endowed to the role of the state in explaining the city hierarchy in South Korea. For this purpose the emergence of developmental state after the military coup in 1961 and its characteristics would be examined in the next section.

#### CHAPTER IV

#### THE DEVELOPMENTAL STATE IN SOUTH KOREA

The high degree of autonomy enjoyed by the states in the East Asian NICs has frequently been commented upon. Government is seen as the "senior partner" in the public-private relationship. South Korea (together with Japan) have been described as "strong states" in the sense that they can formulate policy goals independently of particular groups (Cummings, 1984). Here emphasis will be put on the role of South Korean government in the context of incorporation and expansion of her role in the world capitalism.

Before Korea's colonialization by Japan in the early twentieth century, Korea was ruled by an alliance of the king and the local landlords. Japanese rule started from 1910, which quite damage these traditional ruing groups. After liberation from Japanese occupation in 1945, land reform started. By the end of the Korean War in 1953, the landlord class had largely lost its power base (Cumming, 1979).

The undoubted significance of the land reform to economic development, however, leaves one question unanswered: Why did the inchoate capitalist class not become monopolists and

financiers? They could have amassed vast fortunes, without industrializing Korea by pumping their profits into remunerative investments. They could have been transformed into rentiers or financial capital. In fact, industrialization was limited in the 1950s. The government leaders in tandem with large businessmen weaved dense personal networks. The most effective means of gaining a fortune was to process raw materials supplied to the government through U.S. aid. For example, Samsung, the largest conglomeration in the 1990s, dominated the processing of the three whites (sugar, flour and cotton) in the 1950s (Lie, 1992). Here a useful contrast can be drawn with Brazil. Peter Evans' (1979) "tripartite" model posits on alliance between the state, local bourgeoisie and foreign capital. In South Korea the same alliance resulted in relative stagnation. By the time of 1960, a handful of individuals had amassed spectacular wealth and were in the process of constituting themselves as financial capitalists, amassing monopoly profits and rents.

After the military coup in 1961, the leader of the coup, General Park took power. Park was able to achieve relative autonomy firstly, because of the disarray among the major social classes. The traditional ruling class had lost its power after the land reforms. The nascent capitalist class was dependent on state patronage. The working class was numerically insignificant, while the farmers were not organized. In this context, Park's control of the military was crucial in his achieving a degree of autonomy in the direction of state policy.

In my opinion, the other reason of the autonomy held by the state is because the state itself changed the class relationships. The state broke the parasitic bond between monopoly capitalists and corrupt state bureaucrats. Park went so far as to arrest leading financiers and industrialists. The former monopolists returned, but deprived of their financial control (Woo, 1991). The result is decisive rechannelling of capital flows into industrial production by the guidance of the state.

The autonomy of the South Korean government can be analyzed in several ways. First is the hegemony in the economic decision-making. Economic decision-making in South Korea has been highly centralized. In South Korea the Economic Planning Board (EPB) was established to take responsibility for planning and budgeting after the Park coup in 1961. It was also put in charge of price control, foreign aids, loans and investment and transfer of technology (Jenkins, 1991).

Second is the control of the state over the financial system. In common with Japan, South Korea has relied heavily on financial and monetary means to control the private sector. In South Korea the state had a majority holding in all the major banks until the early 1980s, and the government controlled directly or indirectly, more than two-thirds of the investible resources in the economy (Datta-Chaudhuri, 1981). Third is the relative independence from the foreign influence. In South Korea, the state played a much more restrictive role about foreign capital and technology than was generally the case in Latin America, subordinating foreign investment to national development strategy (Fajnzylber, 1981). Investment was channelled toward export activities in order to gain access to foreign markets or into joint ventures in order to obtain know-how, while the domestic market was largely preserved for local capital.

Fourth is the direct or indirect subsidies to the corporations. It will be just a mere myth to think that South Korean economic growth was due to just industrialization policy. Rather active government intervention in economy is more noteworthwhile. The government of South Korea played a crucial role in allocating scarce financial resources to export-oriented firms. Government policies ensured that exporting would be profitable. The South Korean Productivity Center found that of the country's fifty leading exports, almost all would have produced at a loss if not for the government subsidies (Gittelman, 1988).

The main point of this section is that at least in South Korea 1)the state changed the class structure in its way to gain the autonomy, 2)due to its autonomy, the state can influence in most social processes including the one related to urban areas. In next section, I'll see how urban policy pursued by the developmentalist state of South Korea in the

#### CHAPTER V

#### THE STATE AND URBAN POLICY OF SOUTH KOREA

Development policies in South Korea in 1960s reflect the overriding concern with rapid industrialization as the principal strategy in raising aggregate national income. While this basic aim of the development strategy has, by the usual indicators of growth, appeared to have been achieved, a of problems such number as heightened interregional easily seen inequalities which is as the continual concentration of Seoul, have put a slight dent in this success model. It can be said that even under the Export Oriented Industrialization (EOI) strategy the industrial capitalists felt no need to move their facilities away from the metropolis. Labor concentrated industrial sectors were flourishing, and Seoul was a good place for communication and use of various resources. In light of these problem, the South Korean government set forth a new development plan for comprehensive land development. Firstly, heavy investment on transportation infrastructure was an integral part of it. South Korean central government with its strong planning and implementation function played a great role in transforming

not only the national economy as a whole but also the spatial distribution. Four Five-Year Development Plans(FYDP) were completed during the period of 1962-81. Highway construction was the major achievement during the second FYDP(1967-1971) period. Cities along these corridors have changed their specialization during the 1960s with the improved accessibility of the major metropolises, Seoul and Busan (Kim, 1988). Population growth during 1970-75 appears to correspond closely to the construction of major highways (Meyer & Min, 1987). City growth along the new-built highways are spectacular, leading to the decreasing population ratio of the primate city of Seoul.

Secondly, government policy for industrial location is of great significance. South Korea formulated a National Land Development Plan(1972-81). One of the major objectives of this plan is to develop new regional growth poles (Kwon, 1981). The central government has several policy instruments to enforce industrial estate development. These include the standard price system of real estate, tax exemption and loans to the firms that wish to locate in industrial estates. The purpose of the standard price system of real estate is to fix the land price in the designated areas. This is being applied to all industrial estates. As to tax exemptions, any factory locating in the industrial estates is exempted from property tax. The factories moving from Seoul or Busan to these industrial estates are also exempted from other taxes such as income tax, corporation tax, registration tax and acquisition tax. Loans are given by the Korean Industrial Bank with high priority to the firms which are going to establish factories in the industrial estates. On the other hand, high acquisition taxes and registration taxes are levied on any new factory in Seoul to reinforce the decentralization industries. The levy is as high as 5 times the regular one. Industrial estates constructed by government occupy 22 per cent of all industrial sites in the country in terms of area as of 1970 (Kim, 1978). estate These industrial is highly connected with transportation infrastructure which has been significantly improved during the late 1960s as shown in Figure 1. In Figure 1, these cities with large industrial estate such as Pohang, Gumi, and Ulsan were intermediate-sized cities. The cities disproportionate attention from the received central government doubling their population in less than a decade. The growth of the intermediate-sized cities has been spectacular since the early 1970s as in Figure 2. The major thrust of the third FYDP (1972-76) was the promotion of heavy and chemical industries. Heavy industrial complexes were built in these cities which are specialized in the industries such as steel, automobile, chemistry, electronics. The rapid growth of population in a number of intermediate-sized cities (with population between 100 and 500 thousands) help to reduce the primacy of Seoul and stabilized city size distribution.

All in all, the South Korean government led the balanced

urban hierarchy by either indirectly supporting infrastructures or directly relocating industrial sites.

Figure 1 : Locations of Industrial Estates Connected with Ports and Highways. (Sources: Kim, An-Jae. 1978. "Industrialization and Growth Pole Development in Korea: A case study of the Ulsan industrial complex." Pp. 66. in Growthpole Strategy and Re gional Development Policy. edited by F. Lo and Salih. Oxford:Pergamon.)

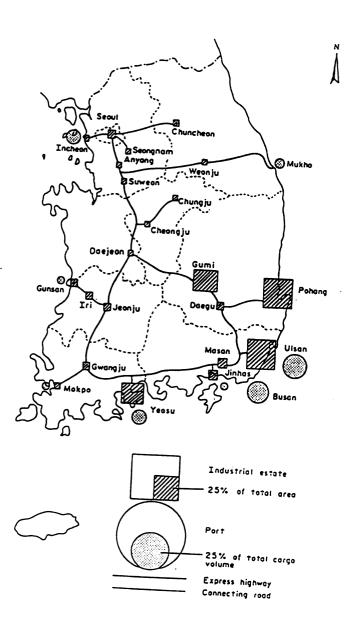
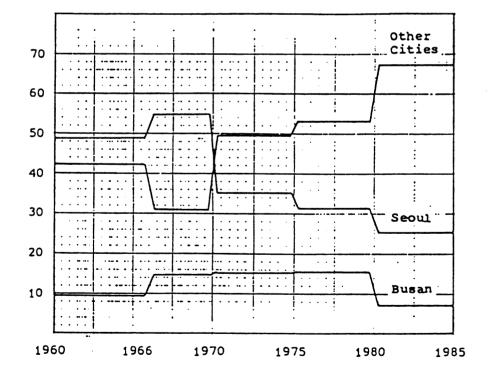


Figure 2 : Percent of Incremental Urban Population Absorbed in Seoul, Busan and other cities. (Sources: Economic Planning Board, Population and Housing Census 1960-1980 and Advance Report of Population and Housing Census 1985. Seoul, Korea; Kim, Won Bae. 1988. "Population and Redistribution Policy in Korea: A Review." 7: Pp. 66.)



#### CHAPTER VI

#### CONCLUDING REMARKS

This article was written for the further understanding of the urban processes in South Korea, specifically of the urban hierarchy. Previous literatures focused on the external parameter and the internal variables. External parameter is the structural position of South Korea in the world economy. Internal variables are the 1)transportation infrastructure built during the Japanese colony, 2)absence of urban-based elites, and 3)the developmental state.

The present paper noted that the South Korea has maintained relatively balanced city system and argued that the priority in explanation, among the internal variables, should be endowed to the role of the state. The developmental state established after 1961 military coup changed the class structures and also the transportation infrastructure. Also the autonomy of the developmental state in South Korea led the decentralization by indirectly supporting transportation infrastructure and by directly relocating industrial sites.

Judging from the city size distribution as I have done in this paper, South Korean government's decentralization policy

has been no doubtly successful. However, what simultaneously have happened at the same time is the "functional primacy phenomenon." For example, almost all of the headquarters of big corporations in South Korea are located in Seoul. It is primarily to keep better intimate contacts with the high officials. Future research may be needed to examine 1)the relationship of the role of the state and the functional primacy, 2)the relationship between the demographic primacy and functional primacy. BIBLIOGRAPHY

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