

# Anti-corruption in developmental states

[Government](#), [Corruption](#)



In recent decades, two significant while seemingly contradictory trends are perceptible. The first trend, proposed by Huntington, has been the “ Third Wave” democratization mostly throughout countries in Asia, Latin America and Africa.[1] The second trend is the reoccurrence of corruption scandals in those newly democratized states.[2] Among those developmental states, South Korea (hereafter, referred to as Korea) stands out as a counterexample to this democratization paradox. Its democratization, as Kalinowski suggests, has gradually improved its governance and reined in corruption.[3] A detailed study of corruption in Korea can test Kalinowski’s proposal and offer some other insights into the causes of and solutions to the democratization paradox. The first part of the paper briefly reviews the status quo of corruption in Korea and identifies money politics<sup>1</sup> as the most widespread, systematic form of corruption.

With that said, I further delve into the causes and consequences of money politics. Treating it as structural corruption due to a composite of cultural and socio-economic factors, I highlight two major factors in shaping money politics in Korea: legacy of authoritarian rule and 1987 democratization. I further discuss their respective consequences. Contrary to common knowledge, my findings suggest that in Korea, the relationship between democratization and 1 Money politics refers to the political culture where the particularistic interests of some individuals or organizations are weighed over public interests due to their financial support to politicians’ campaigns [26] SOC113: Comparative Corruption BI 2 corruption is complicated and reciprocal. As there are some historical and economic similarities, the second part of this paper draws a comparison between money politics in Korea and

Japan. In this comparative part, I propose that Confucian culture explains the lack of bottom-up accountability, which has caused and enhanced money politics in both states. In addition, despite named similarities, Japan is observed to have lower level of corruption, which might be related to its long reign of a hegemonic party. A detailed evaluation of current anti-corruption players suggests that Korea's vibrant, well-funded civil society and a free, independent media sector are more effective in curtailing state-business corruption than its semi-dependent agency (ACRC)<sup>2</sup>, shedding light on prospects of anti-corruption combats in other developmental states.

## 2. Brief Overview

South Korea is a young democracy with a relatively effective governance structure and overall transparency. Korea joined the OCED in 1996 and is positioned around the average among all OCED countries in terms of governance. As shown statistically, it ranks 18th out of 41 OECD member countries in the 2015 Bertelsmann SGI concerning its policy performance and 25th concerning its quality of governance.[4] In term of transparency, Korea also has a satisfactory performance. According to the Transparency International Corruption Perception Index (CPI), Korea ranks 43rd out of 175 countries in 2014.[5] Concerning the Transparency International Bribe Payers Index (BPI), Korea ranked 13th of 28 countries in 2011, remaining at the same rank from 2008. However, the World Bank data show an unexpected divergence between quality of 2 ACRC is short for Anti-Corruption and Civil Rights Commission SOC113: Comparative Corruption BI 3 governance and control of corruption in Korea, which are usually closely correlated.[6][7] This

divergence can be explained by a “cultural lag” in Korea and many more developmental states facing problems with corruption. As a typical new democracy, Korea owns a set of well-established formal democratic institutions, including free elections and anti-corruption laws, whereas its social capital, public perception of government officials and universalistic beliefs are yet to be developed and remain incomparable to those in more advanced democracies. Corruption in Korea has long been characterized by a strategic relationship between politicians and chaebol<sup>3</sup> and money politics has become a common knowledge.[8] In the 2016 Choi-gate corruption scandal, the head of Samsung, South Korea’s biggest conglomerate, was accused of planning to give 37 million USD to Choi in return for the President’s favorable policies.[9] Recurrent scandals around state-business relationships undermine social capital and promote civil mistrust. According to an ACRC survey in 2016, 86% of respondents identified money politics as the most serious corruption form in Korea. The next section of this paper will address the causes and mechanism of Korean money politics in a broader historical, civil and economic context.

### 3. Causes and Consequences

Before comparing Korea to Japan or assessing its current anti-corruption efforts, readers should regard state-business collusion in Korea as structural, institutionalized corruption connected to a mixture of historical and economic realities. I argue that two inherent problems in modern Korea—personalized politics and a concentrated business sector—are the 3 Chaebol refers to big businesses in Korea SOC113: Comparative Corruption BI 4

consequences of authoritarianism and 1987 democratization, respectively.

Legacy of Authoritarian Rule and Personalized Politics A multiplicity of historical and economic influences has conspired to frustrate the emergence of a democratic political system in South Korea. Among those, indisputably, the long history of authoritarian government has been a poor preparation for Korean democratization and modern political awareness.[10] Up until 1987, Korea was ruled by a military dictatorship that mainly emphasized economic growth and strict social hierarchy with little respect for political participation and accountability.[11] Even in modern day Korea, authoritarian thinking or top-down decision making remains persuasive. Such authoritarian tradition has two further consequences: a personalized business-state relationship, and a distorted electoral party system, both characteristics of a personalized politics. Due to the lack of fluidity within social class, personal connections in state-business transaction were emphasized, and rent from business could be interpreted as means to facilitate effective economic interactions. Nowadays, political and economic elites still largely stick to a deeply entrenched system of clientelism, where political parties favor certain businesses based on personalized connections. [11]

On the other hand, due to a long history of authoritarian rule, bottom-up accountability and universalistic beliefs are still largely missing, thus politicians' winner-take-all incentives remain a threat to impartiality of democratic elections. Korean politics feature a notoriously competitive factionalism where incumbent political parties unfairly interfere in the competition, which poses another obstacle to democratization efforts. In the era of President Rhee (1948-60), and President Park (1963-79), certain

opposing politicians were banned SOC113: Comparative Corruption BI 5 from political activities, and even media was controlled to broadcast distorted news of opposing election campaigns. 1987 Democratic Transition and Concentrated Business Sector David C. Kang is a pioneer of the concept of “state-business power balance”. His model categorizes states into fractured and coherent<sup>4</sup>, interacting with either a concentrated or a dispersed business sector. A business-state power balance is struck between concentrated businesses and a coherent state, or dispersed businesses and a fractured state. The remaining two scenarios imply a power imbalance.[8] Prior to 1987, Korea’s centralized governance and powerful business sector reached a balance named “mutual hostages,” meaning that either party had excessive advantages over the other. As democratic elections indirectly increased politicians’ need and competition for donations, advantages were tilted towards the business sector. Though the 1987 democratization aimed at a decentralized state, it failed to include corporate reform. Thus, the business sector was not subjective to the limitations democratic transition imposed on the state and gained a favorable bargaining position. This power imbalance holds true in modern day Korea, which could not be better expressed than by the name of “Chaebol Republic”.[12] The high level of economic concentration between a few big business groups, including Samsung, LG and Hyundai, creates an environment where collective actions among smaller enterprises and public whistle-blowing to challenge state-business corruption are almost impossible. Democratization Means Less Corruption? Given the apparent consequences of democratic transitions in Korea, it is worth 4 “coherent states” refers to states that are able to

formulate preferences independent of social influence [15] SOC113: Comparative Corruption BI 6 considering whether democratization really means less corruption. Kalinowski is right about the general positive influence of democratization, as Korea has an astounding improvement in both transparency and governance. However, based on previous discussions, democratic transitions alone failed to promote universalism or rein in domestic corruption, largely due to a long history of authoritarianism. Instead, as free elections increased the need for political donations, 1987 democratization unexpectedly increased politicians' reliance on chaebol's financial support and encouraged a strategic politics-business relationship. Furthermore, the magnified winner-take-all incentives rendered government positions as political means for politicians' rent-seeking activities. A similar finding is proposed by Mungiu in her study of corruption control: Gaining control over corruption via a democratic path remains a vexing problem, [as] political competition is not by itself an antidote to corruption. Some countries have held many rounds of elections and yet made little progress toward universalism [13]

Besides Korea, this finding applies to many more developmental states. Due to their distinctive historical, cultural and economic make-up, the relationship between democratization and corruption is complex and reciprocal. That being said, democratic control can be the best obstacle to corruption or one of the most pernicious way of subverting democracy. [14] As democratic transitions more or less introduce formal institutions to new-born democracies, efforts of promoting universalism should be made to minimize the effects “ cultural lag” and formal institutions backfire.

#### 4. Comparative Study of Two Corporatist States

Having discussed state-business corruption in Korea, I now draw a comparison to another corporatist state, Japan, in order to better understand to what extent culture influences SOC113: Comparative Corruption BI 7 corruption. Notably, despite their similar cultural and socio-economic conditions, Japan is observed to have lower degree of corruption, which can be explained by its long dominance of a hegemonic party. For many developmental states, as Chang proposes, a multiracial population or a resource curse (i. e., an abundance of natural resources leads to corruption) are two major challenges in anti-corruption processes.[16] Regarding population and natural resources, the policy contexts in Japan and Korea are almost equally favorable. In demographic term, both Korea and Japan have highly homogeneous populations (99% are Korean and 98% are Japanese, respectively) with Korean and Japanese as the only official language. Given the similar level of homogeneity, anti-corruption messages can be easily spread out through both countries, and racial tension in collective actions should not be a major concern. Moreover, Korea and Japan are both major importers of natural resources. Hence, the resource curse in many other developmental states (e. g. Philippines) applies to neither.

**Money Politics and Confucian Political Culture** When comparing the corruption forms in Korea and Japan, concentrated business sectors and state-business collusion stand out as significant characteristics shared by both. As discussed previously, politics-business relationships form when chaebols donate immensely to politicians' political campaigns. In Japan,



state-business collusion is rooted in Amakudari, a practice of assigning retired government officials to high positions in private sectors that they supervised before retirement. In return, business receives favorable policies and information. The similarly strong ties between private and public sectors renders both states subjective to high risks of bribery in public procurements. Despite similarities, Ziya Onis' SOC113: Comparative Corruption BI 8 account of corporatism identifies the nuanced difference between these two developmental states. According to Onis, Korea conforms to the pattern of "authoritarian corporatism," as state-business collaboration in policy formulation and implementation, often accompanied by exclusion of labor and repression of general interests. Japan, on the other hand, is more of a "democratic corporatism," as private-public cooperation in Japan coexists perfectly with the democratic institutions.[17] Further research reveals that in both corporatist states, the bottom-up accountability is largely missing, partly due to the nuanced but consistent influence of Confucian political culture. Both Korea and Japan treasure Confucius heritage in their daily life mentality and interpersonal interactions.[18]

As a common knowledge, Confucianism harbors a strict hierarchal system permeating in all walks of society. Instead of meritocracy, seniority—the epitome of a strict social order—is still given credit in private and public contexts today. Under Confucian culture, subordinates in business and politics are not expected to blow the whistle even when they notice the corrupt behaviors of their senior officers. Moreover, Confucian ideologies have changed expectations that agents hold towards each other. Rothstein is the pioneer of applying "interactive rationality" to understand corruption. By

interactive rationality, he refers to the fact that rational agents consider each other's possible strategies when making their own decisions. After all, no one wants to be the only honest player in a corrupt game. [19] This finding holds true in Korea and Japan. When money politics is institutionalized and personal relationship is constantly acted upon, collective action problem arises from agents' belief that others will not cooperate and their personal efforts will be minimal. SOC113: Comparative Corruption BI 9 Political Party Patterns as an X Factor? Notably, despite almost equally favorable conditions, Japan has more favorable outcomes, as it enjoys a higher level of governance accountability, and the range and impacts of corruption other than business-state collusion are minimal. One factor can account for this difference in corruption levels. Studies on politicians' accountability discover that regimes of shorter duration tend to be more corrupt, as threatened politicians will grab what they want.[16] As discussed previously, the magnified winner-take-all incentives under a democratic election system prompted an extreme form of competitive factionalism in Korea. Given the short term of office and uncertainty of future campaign outcomes, politicians are more likely to seek rent and unwilling to act responsible for the people. The Japanese form of political party pattern is, in contrast, characterized by a long reign of a hegemonic party.[11] For the thirty-eight years after its founding in 1955, Japan's conservative Liberal Democratic Party (LDP) won all but one national elections and selected every prime minister and nearly every cabinet member.[25] Counterintuitively, the monopoly of the LDP has as an unexpected tying-hand effect: a long term tenure increases the likelihood of the exposure of their corrupt misconduct. In addition, as short-

term gains pales in comparison to long-term benefits, LDP politicians are motivated to act more responsibly to retain office. Thus, the difference in political party patterns might partly explain Japan's more satisfactory performance under similarly favorable circumstances.

#### 5. Effectiveness of ACRC, Civil Society and Media

Having identified several factors in money politics culture, I further critically assess three important players in Korean anti-corruption combats—ACRC, civil society and media. SOC113: Comparative Corruption BI 10 Launched in 2008, the ACRC is the key anti-corruption agency in Korea. Its major responsibilities include: anti-corruption policies formulation and implementation, anti-corruption initiatives evaluation, and public sector entities integrity assessment.[20] Overall, the impacts of ACRC anti-corruption strategies are two-fold. Firstly, it has encouraged civil supervision through the Protection of Public Interests Whistleblowers under the Improper Solicitation and Graft Act. ACRC has improved the capability of handling civil complaints— it offered 65 resolutions to collective complaints in 2015, compared to 43 in 2013. [20] Secondly, ACRC has established a basis of sound universalistic ethics to reduce corrupt practices. A variety of educational programs for public officials promoted by ACRC not only implants ethics in officials, but also relieves public mistrust towards public officials to a certain extent. The average assessment of integrity level of public organizations by policy customers has increased steadily from 2008 to 2014.[21] Despite its quite prominent.