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South Korea Corruptions in the Context of Chaebols and Crony Capitalism

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Abstract

The corruption in South Korea is a big obstacle for the democratic development of Korea. The Govt. of South Korea, over years has been struggling to abolish the corruption in their country with very limited success. The main reason of this is weakness of public officials that they receive as a social gift rather than bribing, like it's a stereotype Corruption is associated with lobbying and there are no any prevention acts in South Korea. Different markers of corruption demonstrate that South Korea has been generally fruitful in controlling of defilement, contrasted with other Asian nations, in spite of the fact that the nation's execution is still beneath OECD norms. Specifically, the level of insignificant bureaucratic corruption is among the worst in Asia, alongside Japan, Hong Kong and Singapore as per Transparency International's Global Corruption Barometer overviews.

Keywords- *Transparency, Corruption, Chaebols, Crony Capitalism, Confucianism, Culture. Gift-Giving Culture.*

Introduction

Corruption is a form of dishonest or unethical conduct by people who entrusted with the duty and position of authority that may involve in personal benefit.

Corruption leads to large effect on the people of the nation. It always effect on economics, social and mentality of people. Countless resources had been deployed to the public but eventually end up to the hand of few individual. Transparency is only things that corrupted individual afraid to implement. The society without transparency is the society of corruption.

Often the concept of corruption is subjective to different countries and its degree of corruption that result in perception by the people of those nation to carry out protest against the unethical act as we all understand the fact that corruption is extremely bad but some culture do perceived this act in different manner as people perceived it as moral authorities or right to deserved.

The concept of corruption awareness has been raised in recent year. This shift in the trends of acquiring individual and public welfare that must derived from morality that lead the society to aware more of the ethical concept as people do not tolerate such practices. The best example of country that has corrupted to large extent is:

South Korea is consider as one of highly corrupted country among developed economy as it ranked 52nd place out of 176 countries (Transparency International's 2016 Corruption Perception Index) it is come to attention that in many recent news regarding corruption in various sector and most prominent was former President Park Geun- Hye as she was accused of bribery, power abuse and leaking confidential government document that also result in the society of crony capitalism. The concept of lobbying still prevailing inside the South Korea culture, the way in which business operate in the country that took advantages from loot glass people still exist in all country. It is in fact the norm and the part of culture where business have the right over the people and people are chasing the money from business. The question arise and continuous to be explored and enlighten that what is , how ,what factor that contributed to corruption, how Korean perceived the corruption and Why is corruption such a serious problems in South Korea and how people of South Korean perceived with unethical act committed by elite communities in this nation?

Statement of Problems

It is clear that problems of corruption is still prevailing in all societies but to understand the problems in the context of country like South Korea where the dynamic of economy of developed country where it is serious, Major company like Korean airline , Samsung ,Hanjin and Lotte. It is definitely hard to understand the causes which may include Korean culture and mind set of people thus it is utmost important that we need to understand and acknowledge the root cause and position of corruption in South Korea to determine the change in the future not only in South Korea but it is applicable to all nation in general.

In this article, I will first understand the concept of corruption or theoretical over cultural aspect of South Korean, also historical events of corruption of South Korean firm or government and how the country adopt the measurement to control the degree of corruption over time. This article mainly depends on secondary data for analysis and for interpretation of data.

Literature Reviews

Corruption is any public official involved in abuse of position or authorities of violation of law in connection with official duties for the purpose of seeking grants for himself or thirds parties (The korean independent commission, 2002) in fact from this statement we acknowledge the fact that corruption is seeking grants for himself or thirds parties. (Tanzi, 1998)suggest that corruption in fact result from the political system, improper of management and unequal distribution of wealth therefore we can understand that the system of monetary or persuading individual benefit will eventually leads to corruption also working of bureaucracy in the nation that leads to corruption due to factor such as regulation, taxation , spending decision, financing of parties and also that indirectly contributed to corruption are quality of bureaucracy, level of public sector wages, penalty system and transparency of rule in fact this is the direct causes of corruption around the world. (Low, 2013) Suggest that materialism is the major causes of corruption as materialism creates the sense of intoxication and selfishness that result in persuading individual goal that do not take in to account of other people and using the mean of corruption and lead to the society that lack harmony. (CHO, 2013)for many instants of the cultural derived from Confucianism that highly practices in part of china and Korea regions have similarities in term of believers and practices that promote benefit of families, relatives and well known individual to those families or we can all call kinship which later on create the large big business conglomerates which create large influence on economy of china and south Korea which later call Chaebols

(Rhyu, 2005)suggest that events that leads south Korea to the state of Chaebols was after the Korean war, in fact after the war many disposal of Japanese's enterprise asset were the remains of war and many families have the access to those assets, Bank privatization in 1957 which leads to Chaebol formation that result in creating increase in shareholders influences also the companies whose operation was pairing with Government receives the low rate of interest in market this strategies creating the relationship between company and Government that eventually lead Chaebol to have a large influences over the economic activities in South Korea. (Michael S. Rocca, 2016) Identify that the country with crony capitalism (i.e. an economy that business uses the political class to crush their competitor or create positive environment for their business) leads to corruption directly as the business class people use their monetary power to support the political class to favor them in the business environment.

Position of South Korea in Corruption Index

South Korea position in corruption index among the developed countries is a serious problems as many events that associated with corruption is been raising thought public awareness as well as the international level in fact from the chart South Korea position in international corruption been worsen years by year for example one of the well-known scandal and corruption in currently are between Government of President Park Geun- Hye and Jay Y. Lee after Mr. Jay was convicted of bribing the president to have a great control of Samsung empire his family. In fact this event occurs depicts one of the largest corruptions in the chaebols business groups.

In 2016 South Korea corruption index rank at 52th where country such as Japan which have similarities in their economy rank at 20th, Taiwan at 31th and Singapore at 7th. From this statistic we observe the position among developed economy in Pacific Rim regions score comparative better then South Korea.

(Organization for Economic Cooperation and Development, 2015)Reported that more than 70% of South Korean citizen do not trust their Government and only approximately 30% confident in their judicial system.

The serious problems of corruption in South Korea had been insight in Government that try to overcome the problems but unfortunately this problems still largely impact South Korea power distribution and transparency among politician that people are highly doubt.

Gift-Giving Culture of South Korea

The Gift-Givers, (Wolfenbarger, 1990)according to her, she suggests that there are types of gift-giving motivations: (1) presentation with egoism (self-interested) or indebtedness engineering; (2) obeying social norms; and (3) altruistic giving or pro-social behavior. (Mary Finley Wolfenbarger, 1993)They sum up three kinds of interpersonal motivation: experienced, compulsory, and practical motivation. People in gift-giving transactions may view the practice as an investment for potential profitable relationships and also for harmony while doing business in the market this motivation help them to feel comfortable as the realize on their peer support for the future.

Korean considered gift- giving as their respect and showing level of generosity in fact this culture derived from the Confucianism as it teaching lay down on the important of family and social harmony as its core of Confucianism is lay down on humanistic as this harmony that result from doing favors to other that Korean expecting the level of acceptant in the society but in fact this culture emerge in as favoritism among the cooperate culture. This Gift – giving culture often happened in Korea wedding and funerals this ritual often use to cover up the process of corruption in the modern societies.

Often people in the high position use the ritual or events to invite many people even people who cannot attend are expect to send a monetary gift for the sole purpose of manner or etiquette. In fact this gift giving culture was a reason for scandal that leads to imprisonment of President Park Geun- hye in 2017 as Samsung, Jay.Lee gives millions of dollar to charities to Park in order to have Government favors.

This gift – giving culture is deeply rooted in the culture of South Korea and people do always agree on the part that gift giving is mandatory for the future expectation among people in the society.

Chaebols

(David Murillo, 2013)**Chaebols** refer to a large business collective of in depend firm under the single control of family, this Chaebols stress the significant contribution to rapid development in South Korea Economy. This group of business has been critics for corruption and scandal. The emerge of Chaebols was way back in Korean War

After the Korean War it had destroyed the industrial sector of South Korea and also weakened the economic position of it in the Pacific Rim countries. It also gave many opportunities for the new entrepreneurial ideas after the war and therefore rising for the Korean Chaebols in 1950's after the outbreak of Korean War.

After the Korean wars many changes have been happened in the South Korea:

- Emergence of Korean Chaebols.
- The continuity of Japanese colonization.
- U.S. dominance in Korean economy.

The disposal of ex-Japanese enterprises along with land reform became the driving factor for the people who wants to invest and make some money. This scenario which began in 1946, peaked between 1951 through 1953, the time of war and at this point of time the U.S. dominated by giving sufficient funds to South Korea.

Year	ECA & SEC	PL 480	ICA (FOA/MSA)	CRİK	UNKRA
1949	116,590	-	-	-	-
1950	49,330	-	-	9,376	-
1951	31,972	-	-	74,448	122
1952	3,824	-	-	155,534	1,969
1953	232	-	5,571	158,787	29,850
1954	-	-	82,437	50,191	21,297
1955	-	-	205,815	8,711	22,181
1956	-	32,955	271,049	331	22,370
1957	-	45,522	323,267	-	14,103
1958	-	47,896	265,629,	-	7,747
1959	-	11,436	208,297	-	2,471
1960	-	19,913	224,236	-	244
1961	-	44,926	156,628	-	-
Total	201,867	202,648	1,743,929	457,378	122,048

Source: Bank of Korea, Monthly Economic statistics, Korean Economy Capital accumulation process.

And after the Korean War for the development of the economy the Korean Govt with the assist of the U.S allocated funds transferred into fruitful investments in the country and also encouraged the Chaebols by marginal interest rate profits.

Event that lead to formulation of Chaebols

- Japanese reallocation of resources to South Korean.
- Capitalism ideology that derived from USA
- Increase of loan to local business from development bank.
- The government policies of closed economy that prevent the foreign competition.

Presently there are well known Chaebols that still operate in South Korea are Samsung, LG, Hyundai, SK, Lotte. And surely these companies are the major force behind the development in South Korea. There are many investigation regarding scandal and question are arising question to the public that this company are the major reason in destroying start-up and small business also the problems of cross-ownership and bribery.

Crony Capitalism and Chaebols

(Kang, 2003)Crony Capitalism is in fact the economic institutional refers to a related concept of family and personal relationship, bribery and corruption which can be summaries as collusion; it involved many political group, clan families and society. In South Korea there is numerous business clan in fact this clan use the benefit of crony capitalism to increase the transaction cost and increase the efficiency in the business group which in turn expand the economic activities in the country but in fact this crony capitalism enhance efficiency but it effect the political and economic

institution at large because of this crony capitalism is often lead to favors to certain business group. South Korea is one of the crony capitalism, (Stanley, 2014) it ranked 22nd place in the crony – capitalism index.

(You J.-s. , 2011)suggest that after Financial crisis in the pacific rim nation it has change the perspective of many financial institution as it blamed the south Korea crony capitalism for the large affected crisis in the regions, this government intervention in the economy that interact between public and business man that include corruption or collaboration. The South Korea corruption in fact related to the economic growth and development but not corruption that harms the economy at large therefore many scholars has argued that the corruption in South Korea leads to development rather than harming. (Wedeman, 1997) suggest that Korea used the resources from the capital market to curb the market, although South Korea have high level of corruption with the high growth rate, to the extant this corruption provides the incentives to let the policies maker do the right things as it will eventually leads to benefit of Chaebols also he suggest that South Korea policy of dividend –collecting corruption leads to a large development strategies because of this crony capitalism.

As we can sure that this crony capitalism in South Korea leads to the high growth due to the fact that Chaebols have a large influences on the Government for the policies making to in turn creating positive impact on their business operative this fact is obviously involved certain level of corruption and it was aimed to increase their profitability in the Chaebols but in turn create the high level of production and profit that later support and increase the growth of South Korea.

Below table we can see that in the 1950s, a large amount of loan was give out to certain individual as we assume that this people have a large influence on the Government and bank, the amount of loan was increasing over year as the support to the Chaebols to expand their business in territory of South Korea as the result this loan in turn create the large amount of expansion in the business sector and increase overall country growth. The liberal policies by the Government for the Chabols had been impacted South Korea economy since the Korea War and it in fact the Chaebols are the reason behind the rapid growth of South Korea.

Date	1953	1954	1955	1956	1957	1958	1959	1960	1961
7 Banks total loan given out	7,466 (100.0)	22,752 (100.0)	59,143 (100.0)	135,123 (100.0)	156,658 (100.0)	206,878 (100.0)	281,270 (100.0)	295,878 (100.0)	
Lee Byung-Chul	27 (0.36)	60 (0.26)	696 (1.17)	1,557 (1.15)	1,558 (1.12)	2,162 (1.38)	2,725 (1.32)	4,674 (1.66)	5,326 (1.80)
Chung Jaeho	-----	165 (0.73)	706 (1.19)	1,677 (1.24)	1,627 (1.17)	3,631 (2.32)	6,395 (3.09)	7,139 (2.54)	8,472 (2.86)
Lee Junggrim	12 (0.16)	58 (0.25)	43 (0.07)	106 (0.08)	285 (0.20)	1,042 (0.67)	7,583 (3.67)	9,400 (3.34)	9,357 (3.16)
Suhl Kyungdong	22 (0.29)	5 (0.02)	95 (0.16)	57 (0.04)	150 (0.10)	393 (0.25)	1,357 (0.66)	1,620 (0.58)	2,188 (0.74)
Lee Yanggu	-----	-----	22 (0.04)	71 (0.05)	304 (0.22)	54 (0.03)	600 (0.29)	779 (0.28)	384 (0.13)
Namgung Rhuyn	-----	-----	-----	2 (0.00)	2 (0.00)	5 (0.00)	22 (0.01)	514 (0.18)	461 (1.06)
Choi Taesub	-----	-----	-----	-----	66 (0.05)	66 (0.074)	1,908 (0.92)	2,431 (0.86)	2,398 (0.81)
Kim Jitae	28 (0.38)	65 (0.29)	256 (0.43)	234 (0.17)	146 (0.10)	111 (0.07)	107 (0.05)	107 (0.04)	96 (0.03)

Reference: The 7 major banks are KDB, Industrial Bank of Korea, Choheung Bank, Seoul Bank, Hanil Bank, Chaeil Bank, and Agricultural Bank. Source : The Investigation Team for Illicit Fortune, “Bujeongchukjae Teukjeongin Yungjasanghwang [Financial Conditions of Specific Illicit Fortune Amassers]”(1961) Kong Jae-wook, “Research on 1950s Korean Capitalists”(Baeksan Seodang, 1993), quoted from p.215.

Measure that South Korea Government use to Control Corruption over Time

Problems of Corruption South Korea is a national problems stated by Moon Jae-in. Even from the South Korea emerge after Korea War various measure has been implement in the country this measurement leads to different improvement in the social context and living standard of people. Here is the summary of what is impact of corruption control.

1948-60

- The Government norms with the formal institutions are universalism.
- Clientistic politics and bureaucratic patronage have been evolved.
- Business is almost all relying on political connections.
- Inequality has been reduced in the country.
- Educational expansion has been taken place.
- Many land reforms were introduced and universal primary education made it compulsory and hence there will be some educational development in the country.

1960-1987

- The particularism came into the new context into the country.
- Businesses relying on the exports and Govt favors acted as a support for them in the country.
- The democratization moments began to start in the country like student revolutions military formations etc...
- The urban and educated middle class evolved and then the working class.
- This also favored for the evolvement of Chaebols and U.S. encouraged with affiliated funds and indirectly dominated the Korean Economy.
- Industrialization of Korean economy initialized.

1987-1997

- The rules and laws began to modify according to the modern world like rule of law, mostly favored to Chaebols.
- The democratic transition and then anti-corruption reforms came into existence.
- Empowerment of civil society has been established in the country.
- Financial crisis & IMF bailout happened in 1997.

2000-2010

- The corporate Governance came dominating through good profits in the economy and started dominating in the country.
- The ethical universalism came into existence stating all should follow some moral values and doesn't harm to the society.
- The corporate financial reforms and they developed some anti-corruption reforms to control it.
- The younger generation created more demand for everything in the markets.

This application of control is what made South Korea at a Global player in business and standard of living of people.

Conclusion

South Korea Economy no doubt is one of the largest economies in the world but in fact the process of become is rough and grey path way. The problems of corruption in different sector still prevailing in the country after President Park was arrested, South Korean acknowledge the problems of corruption and crony capitalism that the living on. A lot of awareness has been raise over the time and continuous to promote the welfare of people of South Korean, This awareness including gift giving as corruption and from my perceptive I think the people and politics should understand the problems about the corruption although the corruption is a part of gift – giving and harmony in nature but in the long run this may create a large impact such as never ending personal want and greed that result from long time gift receiving also the business at large may result in creating hostile business environment for the new comer in the business or restrained potential of larger economic growth of the country.

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