

EAI Working Paper Series 15

Explaining Corruption in South Korea,
Relative to Taiwan and the Philippines:

Focusing on the Role of Land Reform and
Industrial Policy

June 2008

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Explaining Corruption in South Korea, Relative to Taiwan and the Philippines: Focusing on the Role of Land Reform and Industrial Policy

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Abstract

By comparing Korea's relative level of corruption with that of Taiwan and the Philippines and examining how a political economy of corruption has developed over time within Korea, I test my "inequality hypothesis" and existing theories on causes of corruption. I find that inequality of income and wealth best explains the relative level of corruption among these countries and across time within Korea, consistent with my hypothesis. Although *developmental state* and *crony capitalism* literature paradoxically emphasize the "autonomous and uncorrupt bureaucracy" and "rampant cronyism and corruption" in Korea, respectively, I find that Korea has been neither as corrupt as the Philippines nor as clean as Taiwan. Successful land reform in Korea and Taiwan brought about low levels of inequality and corruption, while failure of land reform in the Philippines led to a high level of inequality and corruption. Wealth concentration due to *chaebol* industrialization, however, increased corruption over time in Korea, in comparison with Taiwan.

Introduction

South Korea (Korea hereafter, except occasionally), together with Taiwan, has been praised by many scholars as a model *developmental state* with a competent and uncorrupt bureaucracy (Johnson 1987; Amsden 1989; Evans 1995; Wade 1990). Since the financial crisis of 1997, however, Korea has often been labeled as an example of *crony capitalism*, together with other Asian countries like the Philippines (Kang 2002). Hence, an important question to be resolved is whether Korea has been as corrupt as the Philippines or relatively clean like Taiwan.

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Indeed, Taiwan and the Philippines are ideal comparison cases. Korea shares many similarities with Taiwan and the Philippines. The initial economic conditions in the 1950s and 1960s were not much different among these countries. The three countries all experienced colonial rule before World War II, and were all heavily supported by the US during the Cold War era. They all have been experiencing democratization processes over the last two decades. Despite the similar initial conditions, however, the levels of corruption and economic development today are quite different. Taiwan has an obviously lower level of corruption than the Philippines. Not only do all the available quantitative measures of (perceived) corruption indicate that this is the case, but this has not been contradicted by any qualitative studies, to my knowledge. Where, then, does Korea fall relative to Taiwan and the Philippines, and why is that so?

The second set of questions is about Korea's corruption trend. Many scholars, including Alice Amsden (1989) and Peter Evans (1995), regarded Park Chung-Hee's regime (1961-79) as a prototype of a developmental state, while they judged Syngman Rhee's regime (1948-60) as predatory. Others such as Andrew Wedeman (1997) and David Kang (2002), however, argued that both regimes were similarly corrupt. Thus, the controversy regarding the transition from a predatory state to a developmental state is another interesting question. Understudied, yet no less important, are the questions of how industrialization and economic development since the 1960s and political democratization since 1987 have affected the level of corruption in Korea.

By *corruption*, I mean "abuse of power for private gain." There are many kinds of corruption, but this paper will focus on political corruption and high-level bureaucratic corruption. Although petty corruption may be more important for the everyday lives of most people, there is evidence that the degree of petty corruption is closely correlated with the degree of political and high-level bureaucratic corruption.¹ Also, I use the term *capture*, which indicates that corruption has reached to the point in which the state has lost autonomy and serves for the special interests of the privileged.

My comparative historical case study of corruption in Korea, relative to Taiwan and the Philippines, has two purposes. First, I intend to contribute to a better understanding

¹ See Table 1 and the discussion on page 8 for the evidence.

of corruption and development in Korea with a comparative perspective through an extensive and systematic examination of both quantitative and qualitative evidence.

Second, I aim to provide a test of my “inequality hypothesis” and existing theories on causes of corruption. In my article with Sanjeev Khagram (2005), I presented my theoretical arguments on why economic inequality should increase corruption and provided supporting evidence through cross-national statistical analysis. In particular, I presented quite convincing evidence of causal effect of inequality on corruption through instrumental variables regressions, using “mature cohort size” as an instrument for inequality. However, it is always very hard to find a perfect instrumental variable, and “mature cohort size” may not be a perfect instrument although I believe it’s a reasonably good instrument. In order to supplement my quantitative study, I conduct this comparative case study to identify causal direction and casual mechanisms through process tracing.

Most empirical studies on the causes of corruption were cross-national statistical analyses. Although large-N quantitative studies have an advantage in identifying correlations between an explanatory variable(s) and the dependent variable controlling for plausible covariates, and thus may be less vulnerable to omitted variables bias than small-N case studies, they are often vulnerable to endogeneity bias and weak at identifying causal mechanisms. Comparative historical case studies can be useful for establishing causal direction and illuminating causal mechanisms by examining the historical sequence and intervening causal process between an independent variable(s) and the outcome of the dependent variable (Rueschemeyer and Stephens 1997).

This study makes use of available quantitative and qualitative data from a variety of sources. Although most data are secondary, careful examination of extensive data from secondary sources may be better than the use of limited, and perhaps biased, primary data.

I find that Korea has been more corrupt than Taiwan but much less corrupt than the Philippines. I also find that income and wealth inequality is closely correlated with the relative levels of corruption among the three countries. In order to establish causal direction and identify causal mechanisms, I conduct careful process tracing. In particular, I discover two exogenous variables that produced different levels of inequality but were

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not affected by corruption in these countries: land reform and industrial policy. I will show that the success (in Korea and Taiwan) and failure (in the Philippines) of land reform was primarily determined by external factors but produced different levels of inequality and corruption and that different industrial policies created different effects on inequality and corruption over time in Korea and Taiwan.

The organization of this chapter is as follows. First, I briefly review developmental state literature and crony capitalism literature on Korea's corruption and development. In the following sections, I assess various pieces of available evidence on Korea's level of corruption relative to Taiwan and the Philippines and its trend since the 1950s. I then examine several potential explanations for Korea's relative level of corruption. In the subsequent sections, I look at how land reform and *chaebol* industrialization were carried out in Korea and how they affected inequality and corruption, in comparison with Taiwan and the Philippines. I also examine what role democratization has played in Korea. The final section summarizes my findings and concludes with research and policy implications.

Embedded autonomy or crony capitalism?

Korea's economy was regarded as a spectacular success story among developing countries, together with Taiwan, Hong Kong, and Singapore (World Bank 1993). Although Korea was severely hit by the Asian financial crisis of 1997-98 and recorded negative growth in 1998, it recovered rapidly and is growing again. Many scholars tried to explain Korea's and these four tigers' success, and the most influential explanations were centered on the role of the state (Amsden 1989; Evans 1995; Wade 1990). They argued that Korea's "developmental state" distinguished it from many other developing countries, which were characterized as "predatory states." The developmental states of these four East Asian countries were coherent and autonomous so that they were able to effectively carry out their economic policies without degenerating into capture and corruption. The core of the developmental state was "Weberian bureaucracy" with meritocratic recruitment and promotion, career service, and reasonable pay and prestige. Later some South Asian countries such as Thailand, Malaysia, and Indonesia came to be

included in the list of developmental states, although their growth records were not as fantastic as those of the four East Asian tigers.

However, the Asian financial crisis radically changed the perceptions of these countries, Korea in particular. Many, including the IMF, blamed the crony capitalism of Korea and other affected countries as primarily responsible for the crisis. Thus, overnight, Korea's image was radically changed from a model developmental state with good governance to a country with rampant corruption and cronyism. What, then, is the truth? Did the proponents of the developmental state theory fail to see the cronyism and corruption in Korea? Or did the crony capitalism argument exaggerate the extent of corruption in Korea? Whereas proponents of the developmental state theory had to explain why state intervention did not produce much corruption in Korea, those who argued for crony capitalism had to explain how Korea was able to achieve rapid economic development in spite of corruption and cronyism.

The government intervention in the economy meant extensive interaction between public officials and businessmen. The interaction could be collaboration, or collusion and corruption, or both. The developmental state argument saw the close relationship between government and business as benign collaboration, but the crony capitalism argument interpreted it as collusion and corruption. Peter Evans (1995) argued that collaboration between the government and business was critically important for development, because information exchange was necessary for effective policy formation and implementation, and building up trust helped reduce transaction costs. He further argued that an autonomous, meritocratic bureaucracy kept collaboration from degenerating into collusion and corruption. For him, the autonomy of the state requires insulation of the bureaucracy from powerful societal interests, but insulation does not mean isolation. Bureaucrats need to have close ties to business yet still have to formulate and implement policies autonomously. Thus, "embedded autonomy" was the key to the effectiveness of the developmental state of Korea, according to Evans (1995).

Most scholars who studied the developmental state of Korea regarded Park Chung-Hee's regime (1961-1979) as a prototype of the developmental state. However, Syngman Rhee's regime (1948-1960) was generally regarded as predatory. Alice Amsden (1989:

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42) characterized the 1950s with corruption, underachievement, and bitter disappointment. Peter Evans (1995:51-52) noted that, under Syngman Rhee, the civil service exam was largely bypassed and that his dependence on private-sector donations to finance his political dominance made him dependent on clientelistic ties and caused rampant rent-seeking activities. Some scholars also noted that Korea's developmental state has been challenged and has been weakening since the 1980s (Moon 1994; Evans 1995).

Other scholars saw rampant corruption in Korea throughout its history after independence, including the period of Park Chung-Hee's presidency, and attempted to reconcile the high growth and high corruption. Andrew Wedeman (1997) argued that Korea has had widespread, high-level corruption ever since 1945 but that the type of corruption in Korea was functional for economic development. He distinguished three different types of corruption such as looting, rent-scraping, and dividend-collecting. Korea's corruption represented an ideal type of dividend-collection, while the Philippines and Zaire are examples of rent-scraping and looting, respectively. Looting means uninhibited plundering or systematic theft of public funds and property and extraction of bribes by public officials. Rent-scraping means conscious manipulation of macroeconomic parameters to produce rents and the scraping off of these rents by public officials. Dividend-collecting means transfers of a percentage of the profits earned by privately owned enterprises to government officials. Among the three types of corruption, looting is the most harmful to the economy while dividend-collecting may be functional for economic development. The Korean governments, he argued, sold economic opportunities and collected some portion of the profits, and their corrupt income stayed in Korea rather than going into Swiss bank accounts.

David Kang (2002) also saw cronyism and corruption throughout the history of South Korea. He compared crony capitalism in Korea and the Philippines, and argued that Korea neither had a more autonomous or coherent state nor was subject to any less corruption than the Philippines but that corruption had different effects on development in the two countries. He argued that the types of corruption and their effects on economic growth vary depending on whether the state is coherent or fractured and whether the business sector is concentrated or dispersed. It is different types of corruption rather

than different levels of corruption that lead to different effects on economic development. According to him, Korea was under a situation of “mutual hostages” between the coherent state and the concentrated business during Park Chung-Hee and Chun Doo-Whan era and cronyism helped reduce transaction costs and minimize deadweight losses, whereas in the Philippines corruption deterred economic growth because corruption allowed “rent-seeking” activities of the business (pre-Marcos) and “predatory” behavior of the state (under Marcos). He further argues that the Philippines was less affected by the crisis of 1997 because some of the collusive government-business ties had been broken by the downfall of Marcos, while democratization in Korea increased rent-seeking activities and hence made it more vulnerable to the crisis.

Korea’s level of corruption, relative to Taiwan and the Philippines

In this paper, I focus on identifying and explaining the relative level of corruption in Korea rather than types of corruption. It is very hard to compare the levels of corruption across countries. Corruption, by its nature, is conducted secretly, and the probability of exposure will be different in different countries. Hence, most empirical studies of corruption rely on measures of the “perceived” level of corruption such as Transparency International’s (TI) Corruption Perceptions Index (CPI) and Kaufmann et al.’s (2003) Control of Corruption Indicator (CCI). TI has been publishing the CPI annually since 1995, and the CCI has been released since 1996.

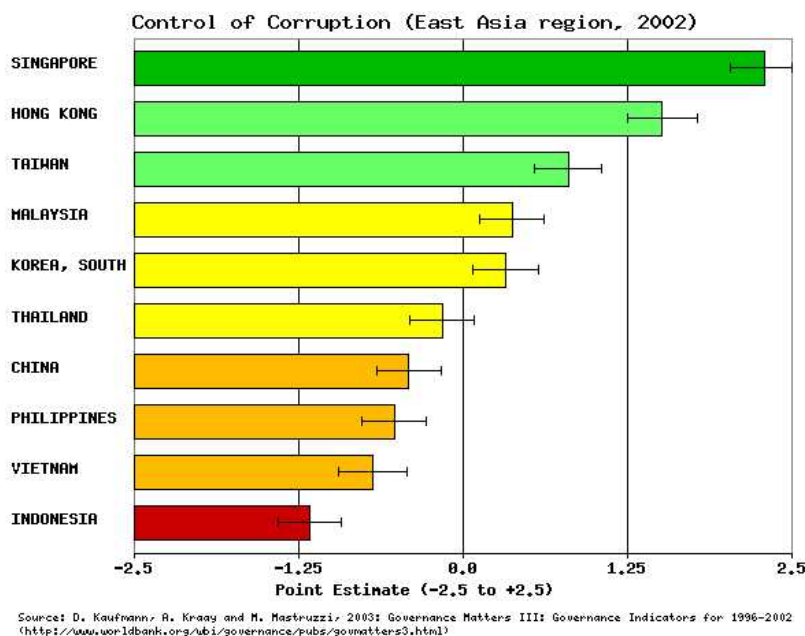
Both the CPI and the CCI are aggregate indices based on a variety of surveys of mostly international business people and ratings of country experts, although there are some methodological differences in aggregating various underlying survey data as well as some differences in the selection of sources. Because perceptions are subjective and inaccurate, these indices must have substantial measurement error. They are highly correlated with each other, however, and also are highly correlated with domestic public perceptions of corruption.²

² The perceptions of the domestic public concerning the extent of corruption (World Values Survey, 1995–97) have a correlation coefficient of 0.85 with the CCI and 0.86 with the CPI.

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Figure 1 shows the point estimates and 95 percent confidence intervals of the CCI 2002 for several Asian countries. A higher CCI value represents a higher level of control of corruption, or a lower level of corruption. Because the CCI is a standardized score with a mean of 0 and a standard deviation of 1, it is easy to interpret the CCI value in comparison to the world average.

Figure 1.



In 2002, Korea's CCI value was 0.33, so its level of corruption was about a third standard deviation below the world mean among the 195 countries that were covered in the CCI 2002. Taiwan's CCI 2002 value was 0.81, so corruption in Taiwan was about four fifths of a standard deviation below the world mean. The Philippines's CCI 2002 value was -0.52, so its level of corruption was about a half standard deviation above the world average. When we compare CCI 2002 values of Korea, Taiwan, and the Philippines, Korea's level of corruption was much lower than that of the Philippines, but higher than that of Taiwan.

Table 1 presents the available measures of corruption for Korea, Taiwan, and the Philippines for the early 1980s to the present. *CPI 80-85* and *CPI 88-92* are TI's

historical data, and *CPI 95-07* and *CCI 96-06* are averaged values for the period. *BI 80-83* denotes Business International's data. Both *CPI* and *BI* range from 1 to 10, and a higher value represents a lower level of corruption. While all these data are measures of the *perceived* level of *freedom from* corruption, *Bribery 04-06* from TI's Global Corruption Barometer Survey (average for 2004-2006) is a measure of the *experience* of corruption. The Barometer survey asked the respondents, "In the past 12 months, have you or anyone living in your household paid a bribe in any form?" The respondents answered either "Yes" or "No." Four percent of Korean respondents said, "Yes,"³ whereas two percent of Taiwanese and fifteen percent of Filipinos gave the same answer.

Table 1. Indicators of (Freedom from) Corruption for the Three Countries

	BI 80-83	CPI 80-85	CPI 88-92	CPI 95-07	CCI 96-06	Bribery 04-06
Korea	5.75	3.9	3.5	4.5	0.31	4%
Taiwan	6.75	6.0	5.1	5.5	0.70	2%
Philippines	4.50	1.0	2.0	2.8	-0.51	15%

Sources: *BI*'s ratings from Mauro (1995); *CPI* and *Bribery* from Transparency International;

CCI from D. Kaufmann, A. Kraay, and M. Mastruzzi (2007).

The experience of bribery (*Bribery 04-06*) from the Barometer survey is a good objective measure of corruption comparable across countries. One caveat is that this measure is likely to capture petty corruption very well but may be a poor measure of grand corruption. However, there are reasons to believe that the levels of petty corruption and the levels of grand corruption are closely correlated, because corrupt practices are likely to spread both top-down and bottom-up. Moreover, the public experience of bribery (*Bribery 04-06*) is highly correlated with the *CPI* and the *CCI*.⁴ Because the *CPI* and the *CCI* are more likely to reflect corruption at the upper level of

³ According to a different social survey conducted in Korea in 2003, 5.4 percent (sometimes 5.0 percent, and frequently 0.4 percent) of Koreans had some experience of bribing (Park 2003). It is strikingly close to the 6 percent response from the Global Barometer Survey.

⁴ Bribery 04's correlation with the *CPI 02* and *CCI 02* are -0.72 and -0.73, respectively.

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bureaucracy and political corruption rather than petty corruption, the assumption of a close correlation between petty corruption and high-level corruption seems to hold in reality.

All the data presented above consistently show that Korea has been more corrupt than Taiwan but less corrupt than the Philippines at least since the early 1980s.⁵ Unfortunately, there are no available quantitative measures of corruption comparable across these countries for an earlier period. Table 1, however, suggests that the same relative rankings are very likely to apply for the 1970s and probably for even earlier periods as well, unless there are important reasons for radical changes in the levels of corruption during the earlier period.

Anecdotal evidence also suggests that political corruption in Korea was higher than that in Taiwan but lower than that in the Philippines. In Korea, two former presidents, Chun Doo-Whan and Roh Tae-Woo, were found guilty of corruption. Chun and Roh were accused of raising slush funds of \$890 million and \$654 million and of receiving \$273 million and \$396 million in bribery, respectively. The Philippines's Ferdinand Marcos was known to have accumulated \$3 billion, and was found to have used several million dollars to buy foreign real estate, primarily in New York, and to have deposited around \$550 million and \$250 million in Swiss banks and Hong Kong banks, respectively (Wedeman 1997). Considering that the Philippine GDP was much smaller than that of Korea in the 1980s, Marcos's corruption was much more severe than that of the two Korean presidents. Although Taiwan has had many scandals of political corruption, too, there was no such big corruption scandal comparable to Marcos's or Chun's and Roh's.

In summary, the evidence indicates that the developmental state literature generally overlooks the problem of corruption in Korea, while the crony capitalism literature tends to overestimate the degree of corruption in Korea.

Korea's level of corruption, from the 1950s to the present

⁵ The values of the historical data such as CPI 80-85 and CPI 88-92 are not strictly comparable to the values of CPI for later years, because there are differences in the underlying survey data and their methods. So, looking at the relative rankings of the three countries will be safer.

Now, what can we say about the trend of corruption in Korea across time? Was the level of corruption higher in the 1950s, under Syngman Rhee, than in the 1960s and 1970s, under Park Chung-Hee? Did corruption increase or decrease with the rapid industrialization and economic growth in the 1970s and the 1980s? Has the level of corruption increased or decreased since the democratization of 1987?

There are no quantitative data available that are comparable across the three countries for the period before 1980, to my knowledge. Previous literature, especially developmental state literature, often assumed without presenting adequate evidence that Rhee's regime was highly corrupt but Park's regime was not. This judgment seems to be based on reasoning that Park's regime must have been less corrupt than Rhee's because Korea's economy developed very fast under Park, and did not under Rhee. Several scholars, however, including John Lie (1998), Andrew Wedeman (1999), and David Kang (2002) judged that Park's regime was not considerably less corrupt than Rhee's based on various pieces of anecdotal evidence. Some Korean scholars also argued that the Rhee and Park regimes cannot be differentiated in terms of the degree of rent-seeking and corruption (Kim and Im 2001), and that Park's centrally managed economy produced a large scope for rent-seeking and corruption (Lee 1995). In the mid-1970s, a Korean social scientist noted that "the rapid expansion of the scope of governmental authority (under Park) tended to induce corruption at a far greater scale and in an even more pervasive manner than before (under Rhee)" (Hahn 1975). Many journalistic reports on corruption during the Park administration argued, with some quantitative and qualitative evidence, that the level of corruption then was no smaller, and possibly larger, than under Rhee (Lee and Kim 1964; Park 1967).

It is true that one of Park's rationales for the military coup in 1961 was to eliminate corruption, as Chun Doo-Whan's military coup of 1980 also used that same catchphrase. Immediately after the coup of May 16, 1961, the military junta arrested *chaebol* owners on charges of illicit wealth accumulation, but the investigation ended with a negotiation on the political and economic terms between the military and business owners. The junta not only reduced the fines for illicit wealth accumulation, but also provided financial

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subsidies for those industrialists who pledged to undertake specific industrial projects and to provide political funds (Kim and Im 2001).

Because of international and domestic pressures, Park had to end military rule in two years and run for presidential election in 1963. He created the Democratic Republican Party (DRP), and needed funds to support the party and expensive campaigning. It was widely known that the inaugural fund for the party was prepared by illegal manipulation of the stock market (Oh and Sim 1995:248). He even received secret donations from Japanese and American firms. It is estimated that Park spent about 60 billion won (approximately \$200 million) for the election, while the total amount of official contributions from businesses was just 30 million won (approximately \$100,000) (Woo 1991:107; Oh and Sim 1995:275-76). This indicates that the bulk of political funds were collected in illegal ways.

An important conduit of political funds during Park's regime came from the allocation of foreign loans with low interest rates, for which the recipients were happy to pay a commission of 10 to 15 percent. Other sources of political contributions included quid pro quos for granting low-interest loans and for procurement of government projects (Woo 1991:108; Kim and Park 1968).

Is it possible, then, to assess the degree of corruption under Park in comparison with that under Rhee, Chun, and Roh? One way of accomplishing that is by looking at the amount of illicitly raised political funds during their presidencies. It is quite certain that the total amount of illicitly collected political funds has increased over time from Syngman Rhee (1948-1960) to Park Chung-Hee (1961-1979) to Chun Doo-Whan (1981-87) to Roh Tae-Woo (1988-92), if not to Kim Young-Sam (1993-97). Individual contributions also increased over time. Five *chaebol* were found to have made more than 60 million won (about 1.5 billion won in 1990 constant prices) of informal political contributions to Rhee's Liberal Party (Kim 1964). Top businessmen's *annual* contributions to Park are known to have reached 500 to 600 million won (about 1.3 to 1.5 billion won in 1990 constant prices), starting from 100 to 200 million won (about 0.8 to

1.5 billion won in 1990 constant prices) before *Yushin* (in 1972)⁶ and 200 to 300 million won (about 1 to 1.5 billion won in 1990 constant prices) in the early *Yushin* period (Oh and Sim 1995:253). Samsung, Hyundai, Tonga, and Daewoo were found to have made illegal political donations of between 15 and 22 billion won to President Chun during seven years of his presidency, and Samsung, Hyundai, Daewoo and LG illegally contributed between 21 and 25 billion won to President Roh Tae-Woo during five years of his presidency. Also, Samsung was found to have donated illegally at least 10 billion won and 34 billion won (8 and 22 billion won in 1990 constant prices) in the 1997 and 2002 presidential elections, respectively, to Lee Hoi-Chang, who lost to Kim Dae-Jung and Roh Moo-Hyun, respectively (PSPD 2005).⁷ Chung Ju-Young, the founder of the Hyundai Group, once declared that he donated to Roh Tae-Woo 2 to 3 billion won twice each year, and even 10 billion won in 1992, the last year of Roh's office. Finally, Chung Tae-Soo, the founder of the Hanbo Group, was found to have donated 60 billion won to Kim Young-Sam before the presidential election of 1992 (Oh and Sim 1995: 274).⁸ It is notable that Hanbo Group went bankrupt in early 1997, which was the first of a series of *chaebol* failures that led Korea to financial and economic crisis. Top-level businessmen's informal political donations seemed to have steadily increased over time from the 1950s until the early 1990s. Considering all these available pieces of evidence, it is hard to tell that Park's regime was essentially less corrupt than Rhee's.

So far, we primarily looked at political corruption. Tae-beom Yoon (1994) looked at bureaucratic corruption in the Third Republic (Park's regime before the *Yushin*: 1963-72), Fourth Republic (Park's regime after the *Yushin*: Oct. 1972-1979), fifth Republic (Chun's regime: 1982-87), and the sixth Republic (Roh's regime: 1988-1992). He searched corruption-related articles from the three major newspapers (*Dongailbo*, *Chosunilbo*, and

⁶ *Yushin* refers to the pro-government coup by which Park eliminated direct presidential elections and term limits and thereby made his power permanent.

⁷ Samsung gave Roh Moo-Hyun 3 billion won (2 billion won in 1990 constant prices) in 2002 (PSPD 2005). Samsung is known to have given some money to Kim Dae-Jung, but the amount is still unknown (Hangyoreh Sinmun 07-25-2005).

⁸ Kim Young-sam declared that he would not receive any money from the business during his presidency. Hanbo's illegal contribution to Kim Young-sam was made in the presidential election year.

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Choongangilbo) during the two years, except the last year, in the later period of each Republic. Political corruption was excluded from his analysis, because media reports of political corruption depend very much on the degree of freedom of press rather than the actual incidence of corruption.

Table 2 shows the number of media-reported bureaucratic corruption incidents for each Republic by the amount of bribes paid in 1985 constant prices, based on Yoon (1994). The number of reported corruption incidents is not significantly different among the Republics. Considering that freedom of the press was most severely suppressed in the fourth Republic (Park's regime after the *Yushin*), it is surprising that the number of corruption incidents of over 10 million won during the 4th Republic is no less than that during the 5th Republic. Yoon's (1994) research did not include the First Republic (Rhee's regime: 1948-1960) and the short-lived Second Republic (Chang Myun administration: 1960-61). Although we cannot tell whether bureaucratic corruption was lower under Park than under Rhee, it was not markedly lower than under Chun or Roh.

Table 2. Number of Bureaucratic Corruption Incidents Reported in the Media,
by the Amount of Bribe in 1985 Constant Prices

	3rd Rep. Park (61-72)	4th Rep. Park (72-79)	5th Rep. Chun (80- 87)	6th Rep. Roh (88-92)
1-10 million won	31	30	56	16
> 10 million won	10	22	21	34
Total	41	52	77	50

Source: Yoon (1994)

Note: The period covered for each Republic is as follows. Dec.1969 through Nov. 1971 (3rd Rep.), Aug. 1977 through Jul. 1979 (4th Rep.), Dec. 1984 through Nov. 1986 (5th Rep.), and Feb. 1990 through Jan. 1992 (6th Rep.).

Considering all the evidence presented so far, it is very likely that Park's regime was not substantially different from Rhee's, Chun's, or Roh's in terms of degree of overall corruption, except for Chun's and Roh's personal accumulation of wealth during their presidencies. Table 3 summarizes the comparable information across presidencies, and it

is hard to identify any qualitatively important differences in the level of political and bureaucratic corruption among various regimes. The primary difference between Rhee and Park was more about competence rather than about corruption. The overall level of corruption seems to have slightly increased until the early 1990s, and it has been slightly decreasing since the late 1990s.

Table 3. Various Information about Corruption across Presidencies

President	Period	* CPI	# of reported bureaucratic corruption**	Top-level political donation*** (1990 constant billion won)
Rhee Syngman	1948-1960			1.5-3.5 (five <i>chaebol</i>)
Park Chung-Hee	1961-1972		41	5-10 (estimated)
Park Chung-Hee	1972-1979		52	7-10 (estimated)
Chun Doo-Whan	1980-1987	3.9	77	16-24 (four <i>chaebol</i>)
Roh Tae-Woo	1988-1992	3.5	50	21-25 (four <i>chaebol</i>)
Kim Young-Sam	1993-1997	4.3		56 (Hanbo)
Kim Dae-Jung	1998-2002	4.2		8 to Lee (Samsung)
Roh Moo-Hyun	2003-2007	4.8		22 to Lee (Samsung)

Sources: * TI, ** Yoon (1994), *** Kim (1964), Oh and Sim (1995), and PSPD (2005). For Park's periods of before and after the Yushin, the presented values are estimated from the typical top-level annual political donation. All other values are based on the prosecution's findings.

Explanations for South Korea's relative level of corruption

Why, then, has Korea been more corrupt than Taiwan but less corrupt than the Philippines, even though the three countries shared similar initial conditions in many aspects? In order to explain Korea's relative level of corruption in comparison with Taiwan and the Philippines, I will first consider the explanatory ability of several factors

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such as government intervention, economic development, income inequality, democracy, Protestantism, Confucianism, and ethnic homogeneity that have been proposed by the literature to have positive or negative causal effects on corruption.

The degree of government intervention in the economy, or the size of government is often regarded as a cause of corruption, because government intervention can create rents and encourage rent-seeking activities. Recent empirical findings, however, show that larger government size is associated with lower levels of corruption (La Porta et al, 1999; Friedman et al, 2000). In our case, the degree of government intervention does not seem to explain the relative levels of corruption in the three countries. Governments in Korea and Taiwan intervened in the economy very heavily, but the levels of corruption were lower in these countries than in the Philippines where government intervention was not as extensive as in Korea or Taiwan. It may be more useful to look at what kinds of government intervention increase corruption under what conditions than just the overall extent of government intervention. I will attempt to do so in the following sections.

The level of economic development (per capita income), perhaps through the spread of education, creation of a middle class, and so forth, has been found by many empirical studies to have the most significant and important explanatory power for corruption (Paldam 2002; Treisman 2000). In contrast, Kaufmann and Kraay (2002) argue that causation runs in the opposite direction: from lower corruption to economic development. You and Khagram (2005) also showed that previous studies overestimated the effect of economic development on corruption. The case of the three countries seems to support the argument of Kaufmann and Kraay (2002).

Economic development cannot explain the relative levels of corruption in the three countries, considering that the initially no-less-developed Philippines has become much more corrupt than Korea and Taiwan. Table 4 indicates that the Philippines had a slightly higher per capita income in the 1950s and not much lower per capita income than Korea and Taiwan until 1980. It is more likely that different levels of corruption seem to explain the variations in economic growth in these countries. However, we may need to consider more complex relationships between corruption and economic development beyond simple causation in either direction. In particular, some government policies may

affect both corruption and economic growth at the same time. I will examine this possibility in later sections.

Table 4. Real GDP per capita in 1996 constant \$

year	1953	1968	1980	1996
S. Korea	1328	2289	4790	14320
Philippines	1571	2343	3289	3122
Taiwan	1118	2399	5869	15589

Source: Heston et al. (2002)

Although democracy is theoretically supposed to provide checks against corruption, cross-national empirical studies have found differing results. Treisman (2000) concludes that democracies are significantly less corrupt only after 40 years. Montinola and Jackman (2002) demonstrate that partial democratization may increase corruption, but that once past a threshold, democracy inhibits corruption. Another quite opposite argument to consider is the positive role of authoritarian regimes in controlling corruption. Lee Kwan Yew of Singapore claims that authoritarian rule there has been necessary to contain corruption as well as to help develop the economy. Taiwan's Chiang Ching-Kuo and Korea's Park Chung-Hee were also cited as such examples.

In terms of democracy, Korea and the Philippines have many similarities. Both countries initially had democratic period until 1972 (pre-*Yushin* period except for 1961-63 in Korea, and pre-Marshall Law period in the Philippines), and had a dramatic and rapid democratic transition from 1986 (the Philippines) or 1987 (Korea). Taiwan had an authoritarian regime until the late 1980s and since then has gradually democratized. Thus, among the three countries, Taiwan has been the least democratic until recently, but also the least corrupt. This seems to support the argument of Lee Kwan Yew. However, corruption has apparently decreased rather than increased after democratic transition in

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these countries. Table 1 shows that the values of the CPI 95-07 are slightly higher than those of the CPI 88-92 for all three countries.⁹

Ethno-linguistic fractionalization has been found to be positively correlated with corruption, although its significance disappears after per capita income and latitude controls are added (Mauro 1995; La Porta et al. 1999). As Table 5 shows, Korea has an extremely high level of homogeneity both ethnically and linguistically, but corruption is higher in Korea than in ethnically and linguistically heterogeneous Taiwan. Although the extremely high linguistic fractionalization may partly explain the high level of corruption in the Philippines, the ethno-linguistic story does not fit very well for our case of the three countries overall.

Protestantism has been found by many cross-country empirical studies to be associated significantly with less corruption (La Porta et al. 1999; Paldam 2001; Sandholtz and Koetzle 2000; Treisman 2000). Egalitarian or individualistic religions such as Protestantism may encourage challenges to abuses by officeholders. Table 5 shows that, in terms of Protestantism, Korea has some advantage, not disadvantage, over Taiwan, but Protestantism does not seem to have much contributed to lowering corruption in Korea. There may be a threshold for the Protestantism effect, and Korea's Protestant population may not have reached the threshold.

Table 5. Ethnic and Linguistic Fractionalization; Percentage Population by Religion in 1980

	Ethnic frac.	Linguistic frac.	Protestant	Catholic	Muslim	Buddhist
S. Korea	0.002	0.002	12.2	3.9	0	20*
Taiwan	0.27	0.5	3	1.5	0.5	93**
Philipp	0.24	0.84	3.8	84.1	4.3	3***

⁹ It is hard to tell if this represents the real improvement in controlling corruption because TI's historical CPI for 1988-1992 is not strictly comparable to the annual CPIs of 1995-2007. If we compare the rankings of these countries with other countries, however, we can say the level of corruption has not increased, if not decreased, in these countries after democratization compared to other countries.

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Source: Ethnic and linguistic fractionalization is from Alesina et al. (2003). Percentage population by religion (for year 1980), except for the Buddhist population, is from La Porta et al. (1999). For the Buddhist population,

* for year 1985, from Ministry of Economic Planning, Korea's Social Indicators 1987

**mixture of Buddhist, Confucian, and Taoist 93%, from CIA Factbook, 2004

*** Buddhist and other, from CIA Factbook, 2004.

“Confucian familism” has often been accused of fostering patrimony, nepotism, social distrust, and bribes or gift exchanges (Fukuyama 1995; Kim 1999), and crony capitalism literature has often relied on these arguments (Kim and Im 2001). It is questionable, however, whether nepotism and gift exchange is unique to Confucian cultures. Tu (2001) argues that Confucian literati tried to curb a king’s despotism and bureaucratic corruption and that Confucian familism is not the same as cronyism. A study of Korean social networks (Yee 2000) demonstrates that, contrary to Fukuyama’s view that Koreans under the Confucian influence are more kin-oriented, they actually rely less on their kin than Americans do.

Confucian tradition is very strong in Korea and Taiwan, while it is absent in the Philippines; the meritocratic bureaucracies in Korea and Taiwan actually have their historical roots in Confucian tradition (Evans 1995; Schneider and Maxfield 1997). Korea and Taiwan, however, are much less corrupt than the Philippines. Thus, the Confucian familism argument seems to lack solid evidence. Note that the developmental state literature emphasizes the positive role of meritocratic bureaucracy in ensuring the autonomy of the state and preventing it from degenerating into collusion and corruption.

Lastly, You and Khagram (2005) argued that income inequality increases the level of corruption. The wealthy have greater resources that can be used for corruption, and their incentives for buying political influence through corruption increases as redistributive pressures grow with inequality. Since higher levels of inequality—and, in particular, more skewed income distributions—mean lower ratios of median income to mean income, redistributive pressures should increase as inequality rises, as the median voter theorem predicts (Meltzer and Richard 1981). Contrary to the prediction of the median voter theorem, however, we do not observe higher redistribution in countries with higher

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inequality (Iversen and Soskice 2002), probably because policy outcomes favor the rich rather than the median voter because of corruption. Through a comparative analysis of 129 countries using instrumental variables regressions, You and Khagram (2005) demonstrated that the explanatory power of inequality is at least as important as conventionally accepted causes of corruption such as economic development.

Income inequality seems to provide a plausible explanation for the relative levels of corruption among the three countries. As Table 6 indicates, Korea has had a much more equal distribution of income than the Philippines ever since the 1950s. Although income inequality in Korea was as low as in Taiwan until the 1960s, it has become somewhat higher than in Taiwan since the 1970s. Thus, the different levels of income inequality may explain the different levels of corruption in these countries.

Table 6. Inequality in Income and Land in the Three Countries

	Gini(57-69)	Gini(70-89)	Gini(90-97)	Landgini(60-70)
Korea	26.3	30.6	32.7	37.9
Taiwan	28.3	26.3	27.7	
Philippines	43.8	42.2	42.9	52.2

Source: Gini data are from Dollar and Kraay (2002), adjusted for different definitions of gini according to You and Khagram (2005); Landgini data are from Taylor and Jodice (1983).

Table 7 summarizes the discussion so far. As the table demonstrates, income inequality has the strongest predicting ability for the levels of corruption. Reverse causality must be considered, however, as well. The different levels of corruption could explain the different levels of inequality. In order to sort out the causal direction and its mechanisms, we need to figure out why three countries came to have different degrees of income inequality and how inequality and corruption affected each other more concretely.

Table 7. Predictive Ability of Possible Causes of Corruption

Independent variables	Ranking of the independent variables	Predicted ranking of corruption	Match or Not?
Government intervention	KOR=TWN > PHL	KOR=TWN > PHL	No
Econ development	KOR= TWN = PHL (until 1970s)	KOR= TWN = PHL	No
Democracy	KOR=PHL>=TWN	KOR=PHL<=TWN	No
Ethno-linguistic diversity	PHL=TWN > KOR	PHL=TWN > KOR	No
Protestantism	KOR> TWN = PHL	KOR<= TWN = PHL	No
Confucianism	KOR= TWN > PHL	KOR= TWN > PHL	No
Inequality	PHL > KOR > TWN	PHL > KOR > TWN	Yes

One plausible explanation for different levels of income inequality between Korea and Taiwan on the one hand and the Philippines on the other hand is land reform (Haggard 1990; Rodrik 1995; You 1998). It is well known that land reform was successful in Korea, Taiwan, and Japan after World War II, but failed in the Philippines. It is evident that successes and failures in land reform affected the subsequent distribution of income.

Why did land reform succeed in Korea and Taiwan but fail in the Philippines even though the United States was deeply involved in the land reform processes and exerted considerable influence in all three countries? One possible explanation is that very high levels of corruption in the Philippines inhibited land reform. Another possible explanation is that different levels of corruption had little, if any, effect on the success or failure of land reforms, but other factors determined the fate of land reforms.

Regarding land reform, another important question should be addressed. Land reform involves massive intervention of governments in the redistribution of land. It is very possible, then, that the process of land reform is corrupted and that land reform contributes to increasing, rather than decreasing, corruption.

The higher levels of income inequality in Korea compared to Taiwan since the 1970s may be due to different strategies and processes of industrialization (Haggard 1990). One

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plausible hypothesis is that Korea's *chaebol*-centered economy produced higher inequality as well as more incentives and opportunities for corruption than Taiwan's economy, centered on small- and medium-sized firms. Why, then, did Korea and Taiwan choose different industrialization strategies? One possible explanation is that different levels of corruption influenced government decision-making in different ways. Hence, in order to find the right answers for these questions, the next sections will be devoted to looking at the decision-making and implementation processes of land reform and industrial policy in Korea, in comparison with Taiwan and the Philippines.

Land reform

Many accounts of Korean development tend to ignore agrarian land reform and begin their story from the early 1960s (Lie 1998). Without land reform, however, the Korean state might have been captured by the landlord class and the later economic miracle might not have occurred. In 1945, when Korea was liberated from Japanese colonial rule, the richest 2.7 percent of rural households owned two thirds of all the cultivated lands, while 58 percent owned no land at all. By 1956, the top 6 percent owned only 18 percent of the cultivated lands. Tenancy dropped from 49 percent to 7 percent of all farming households, and the area of cultivated land under tenancy fell from 65 percent to 18 percent (Ban, Moon, and Perkins 1980; Lie 1998; Putzel 1992).

Land reform in South Korea was carried out in two stages: by the American Military Government (AMG) in 1948 and by the South Korean government from 1950 to 1952. In March 1948, the AMG began to distribute 240,000 hectares of former Japanese lands to former tenants, which accounted for 11.7 percent of total cultivated land. Before that, the AMG implemented the reduction of rent, limiting it to one third of crops in October 1945. After two separate governments were set up in the southern and northern parts of Korea, the government of South Korea began to implement agrarian land reform in 1950, just before the Korean War broke out. Restricting the upper ceiling of landownership to three hectares, the government redistributed 330,000 hectares of farmland by 1952. The landlords received 1.5 times the annual value of all crops, and the former tenants were to pay the same amount in five years. About 500,000 hectares were sold directly by

landlords to their tenants. Thus, 52 percent of total cultivated land transferred ownership, and the “principle of land to tillers” was realized (Ban et al. 1980; Chun 2001; Kim 2001; Putzel 1992).

In Taiwan, land reform was also extensively carried out in three stages: first, in 1949, rent reduction to 37.5 percent from the previous 50 percent or over; second, in 1950, sale of public lands to farmers; third, in 1953, land-to-the-tiller program (Lamba and Tomar 1986). Absentee ownership was abolished, and a low ceiling was imposed on land that could be retained by landlords. The compensation was based on the production value of the land, and landlords received 2.5 times the annual value of all crops (Putzel 1992).

In the Philippines, however, land reform has been an abortive issue since before World War II. All Filipino presidential candidates since the 1950s have run on platforms offering vague promises of land reform, but reform has never been pursued with vigor (Kang 2002). Magsaysay’s moderate proposal of land reform legislation was amended by Congress so that most of the large estates could easily avoid expropriation. Marcos’s land reform was minimal, and even Aquino’s reform was quite limited (Doronila 1992; Putzel 1992).

Why, then, did Korea and Taiwan carry out extensive land reform, whereas the Philippines did not? I offer three explanations. The threats from North Korea and Communist China played a major role in promoting land reform in South Korea and Taiwan, respectively. The role of the United States in land reform was positive and liberal in South Korea and Taiwan, but largely conservative in the Philippines (Putzel 1992). In addition, the political influence of the landed class was stronger in the Philippines, while the landlords in Korea and Taiwan lost their influence after independence because of their collaboration with the Japanese (Evans 1995:51-55).

An overview of the decision-making and implementation processes within the US State Department and the American Military Government (AMG) in Korea and within Rhee’s government reveals that the communist threat and the political competition with North Korea to win the support of peasants played a decisive role in pushing for a liberal reform program and that the US exerted a positive and liberal influence. Before the US forces arrived in Korea, “People’s Committees” led by communists and the left-of-center

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nationalists had been established throughout the country. Although the Committees were outlawed by the AMG in the South, they implemented an extensive land reform in the North as early as March 1946. The North Korean reform was a major factor in winning support and legitimacy for the newly emerging communist government. There was a debate between the liberals and conservatives within the State Department about land reform in Japan and Korea, and the liberal approach won the debate. In September 1946, the State Department announced that one of the AMG's major objectives was to implement land reform. The implementation of redistribution of former Japanese-owned land by the AMG was delayed, however, until March 1948 because of initial reluctance of the Military Governor, General Lerch. The price of the land was to be paid at 20 percent of the produce per year for 15 years (Chun 2001; Putzel 1992).

When the first election was held for the Republic of Korea in the South in 1948, all parties pledged to implement land reform and the Constitution included a commitment to land reform. Even the Korea Democratic Party that represented the interests of landlords did not openly object to land reform, but tried to delay the enactment and implementation of the reform and to increase the compensation for the landlords. Cho Bong-Am, Minister of Agriculture, drafted a progressive land reform law with compensation of 150 percent of annual produce. Although there was an attempt to increase the compensation to 300 percent, the bill was passed with the clause of 150 percent compensation for the landlords and 125 percent payment for the former tenants after intense debate in April 1949. President Rhee vetoed it, however, on the ground that the government could not finance the 25 percent gap between the compensation and payment. Finally, the Assembly passed the Land Reform Act with 150 percent of compensation and payment on February 2, 1950, and President Rhee signed it on March 10, 1950 (Kim 2001).

Unlike in the Philippines, the representatives of the landed class in the National Assembly did not have strong power because of their former collaboration with the Japanese and even the conservatives agreed that land reform would be necessary to cope with the communist threat. An interesting phenomenon in Korea's land reform was that many landlords sold their land directly to their tenants before the land reform legislation was implemented. The total area sold by landlords (500,000 hectares) exceeded the area

of land redistributed by the government (330,000 hectares), and the bulk of the sell-out occurred in 1948 and 1949 when the prospect of land reform was clear (Hong 2001).

Taiwan's case also demonstrates the important role of Communist China and the liberal reformers of the US State Department. When Japanese colonial domination of Taiwan (1895-1945) ended with the defeat of Japan in the World War II, Taiwan reverted to Chinese rule in 1945. The Nationalist Chinese administration on Taiwan was initially repressive and corrupt, and the February uprising in 1947 was violently suppressed by Nationalist Chinese troops. When Chiang Kai-Shek was defeated by Mao Tse-Tung's agrarian revolution on the Chinese mainland, some 2 million predominantly military and bureaucratic refugees fled to Taiwan. Even before Chiang Kai-Shek established his "provisional" capital in Taipei in December 1949, the Nationalist authorities began implementing the rent reduction program. It is notable that Chiang Kai-Shek's Kuomintang (KMT) and the United States jointly set up the Joint Commission of Rural Reconstruction in October 1948, in a belated effort to introduce agrarian reform in mainland China (Lamba and Tomar 1986; Putzel 1992).

Chiang Kai-Shek's corrupt and conservative KMT in mainland China transformed itself into a more coherent and autonomous party-state in Taiwan and embraced land reform, apparently having been taught a bitter lesson from its failure (Evans 1995:54). The US also advocated liberal agrarian reform to counter communism, and Ladejinsky, a liberal reformer in the State Department, worked closely with KMT officials in Taiwan (Putzel 1992). In addition, unlike in mainland China, the KMT received little resistance from the landed elites in Taiwan.

In the Philippines, the politics of land reform were more complex. During the US colonial period (1898-1941), the Americans were not interested in transforming the existing Philippine power structures through land reform. The Americans, from William Taft (the first civilian governor) to General Douglas MacArthur, felt most comfortable with those landed, educated elites who spoke English (Kang 2002:27).

After the Philippines gained independence in 1946, the US still exerted enormous political influence. Just as the State Department advised liberal land reform in Korea, Taiwan, and Japan, it once did the same in the Philippines. In 1951, the US Mutual

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Security Agency commissioned Robert Hardie to study the tenancy problem in the Philippines, probably because of growing concern over the rise of an armed and communist-led peasant movement. Hardie's report released in December 1952 contained far-reaching, comprehensive land reform proposals such as distributing land to 70 percent of the tenants in the country (Putzel 1992: 84-85).

The landlords and their representatives in Congress strongly resisted, however, and President Quirino called the Hardie Report a "national insult." In 1953, Hardie was replaced by John Cooper. Cooper suggested only minor reforms were necessary in his report released in 1954. The overall mood was changing in the US, and with the rise of McCarthyism, Ladejinsky, architect of land reform in Japan and Taiwan, was accused of being a national security risk (Putzel 1992:91, 96-99). Once the US pressure for liberal land reform disappeared, the landed oligarchy was easily able to preserve their economic base through their representatives in Congress (Doronila 1992:102-104).

The Philippine case shows that, without external threat or pressures, the repeated attempts for land reform were unsuccessful because the state was captured by the powerful landed class. In addition, the failure of land reform helped the landed oligarchy to maintain and expand their power continuously, and the economic policy machinery was routinely hijacked by the powerful landed and business elites (MacIntyre 1994:9). By the early 1980s, a study identified 81 families as exercising extensive control over the economy. They also employed their wealth and power to gain access to state positions either through appointment or election. Although popular demand for the redistribution of land was always a main political issue, genuine reform never occurred. The landowning elite could employ a variety of official and unofficial means to protect their interests. The militant landlords even established private armies and allied with former Defense Minister Ponce Enrile, when land reform became a more real issue after democratization. As a result, Aquino's limited land reform was only 30 percent completed by 1994, and did little to alter the distribution of land in the Philippines (Moran 1999).

By contrast, land reform had a huge impact on Korean society and the economy. Large landlords virtually disappeared. Agricultural productivity improved steadily (Ban,

Moon, and Perkins 1980: 291-93). Land redistribution plus the destruction of large private properties during the war produced an unusually equal distribution of assets and income in Korea (Mason et al. 1980; You 1998). Indeed, land reform opened space for state autonomy from the dominant class (Suh 1998). As Rodrik (1995) noted, the initial advantage with respect to income and wealth distribution in Korea and Taiwan is probably the single most important reason why extensive government intervention could be carried out effectively, without giving rise to rampant rent-seeking.

Land reform also contributed to increasing enrollment in schools, by making it affordable to more people. A characteristic of post-war public education in Korea was an unusually large share of the financial burden imposed on private households relative to other countries with comparable enrollment (Mason et al. 1980). The enrollment in primary schools doubled between 1945 and 1955, even though the Korean War (1950-53) destroyed the whole country. The enrollment in secondary schools increased more than 8 times over, and enrollment in colleges and universities increased ten times during the same period (Kwon 1984). The spectacular increase in an educated labor force not only made high growth based on high productivity possible, but also paved the road for the establishment of meritocratic bureaucracy. Although the higher civil service exam (*Haengsi*) was instituted as early as 1949, only 4 percent of those filling higher entry-level positions came in via the exam under Rhee Syngman's government. The higher positions were filled primarily through special appointments (Evans 1995:51-52). This reflected not only Rhee's reliance on clientelistic ties but also a shortage of a pool of enough highly educated people. Park Chung-Hee, however, was able to establish meritocratic bureaucracy with the aid of a supply of enough university-educated people, although he still allocated a substantial part of the higher ranks to the military who did not pass the highly competitive civil service exam.

Land reform in Korea, however, had its limitations too. It was restricted to farmland, while mountains and forests were excluded (Chung 1967). Later, Korea came to experience serious problems of land speculation, extremely high prices of land, growing inequality in land ownership, and excessive generation of capital gain from land ownership, which contributed to increasing income inequality (Lee 1991; Lee 1995).

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Another question regarding successful land reform in Korea and Taiwan is whether the implementation processes were corrupt, and if so, why. In Korea, besides redistribution of land, Rhee's government carried out another distribution program of former Japanese enterprises, which was known to be characterized by rampant corruption (Woo 1991). It is also well known that privatization processes in Russia and other East European countries created enormous rents and corruption. It is hard to find incidents of corruption from the implementation of land reform, however.

The implementation of land distribution was very transparent and participatory, in Korea as well as in Taiwan and earlier in Japan. In Japan, Ladejinsky and his liberal colleagues emphasized tenants' participation in the implementation process. Land Commissions were established at national and local levels, and local committees were elected, including five tenants, three landowners, and two owner-cultivators (Putzel 1992: 73). Korea and Taiwan followed the Japanese example. In Korea, local committees were comprised of one public official, three landowners, and three tenants. A case study of local-level implementation shows that the legal provisions were largely observed with minor exceptions and without signs of corruption (Kwon 1984). Thus, the land reform case illustrates that government intervention does not necessarily create corruption when it is carried out in a transparent and participatory way.

Chaebol-centered industrialization

A myth exists about Park Chung-Hee's economic development strategy. It is true that he tried to justify his regime by rapid economic growth. It is also true that his administration was more competent in setting economic policies and implementing them effectively than the Rhee administration. It is a myth, however, that the Park administration made the first five-year economic plan based on export-led growth strategy, as Lie (1998:55-56) demonstrated. Actually, Park's first five-year plan copied much from the short-lived Chang Myun administration's (1960-61) five-year plan. Nor was Park's first five-year plan particularly export-oriented. It emphasized the importance of import-substitution industrialization to fulfill the goal of a "self-reliant economy." Its

initial projection of export growth, mainly of agricultural produce and raw materials, was modest. Park's emphasis on exports came later.¹⁰

The most characteristic aspect of Park's economic strategy was his emphasis on state control of the economy and the promotion of large corporations and conglomerates, or *chaebols*, apparently emulating Japanese *zaibatsu*. Although many *chaebol* began to form in the 1950s, their rapid growth occurred under Park's patronage. For him, modernization and industrialization meant emulating Japan. Later his *Yushin* (1972) was very much modeled on the Meiji Restoration (1860) of Japan, and he openly expressed his admiration for the leaders of the Meiji Restoration (Moran 1999).

Park's *chaebol*-centered industrialization strategy is contrasted with Taiwan's development strategy. Chiang Kai-Shek had little interest in helping Taiwanese indigenous businesses grow too large, because his power base was from those people who came from mainland China. The KMT leadership distanced itself from big businesses, and pursued both growth and equity. The KMT also adopted monetary conservatism, which made Taiwan's state-business relationship less close, direct, and deep than Korea's. In addition, the KMT advocated state ownership of strategic sectors. Unlike Syngman Rhee who sold off former Japanese firms at a bargain price, Chiang Kai-Shek transformed Taiwan's enemy properties into state enterprises. As a result of monetary conservatism and state ownership of strategic sectors, small-and-medium-sized-enterprises (SMEs) grew and became the main force of the economy. The number of manufacturing firms increased by 150 percent and the average firm size grew by 29 percent between 1966 and 1976 in Taiwan, while in Korea the number of firms increased by only 10 percent, though firm size grew by 176 percent (Kim and Im 2001).

In order to both control and support the *chaebol*, Park used selective allocation of low-interest rate foreign loans and domestic loans through state-controlled banks. Virtually all foreign loans (both public loans and private long-term loans) with low interest rates required government approval and guarantee. The government controlled all commercial banks and adopted a low-interest rate policy, which created large rents

¹⁰ Rodrik (1995) raised doubt about export orientation as a key explanation for economic growth in Korea and Taiwan, noting that the initial size of exports was too small to have a significant effect on aggregate economic performance.

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and brought about a chronic shortage in the supply of loans. As Table 8 shows, the nominal bank rate was typically less than half of the curb-market rate and the real bank rate was often negative. *Chaebol* that began to grow under the Rhee regime's patronage through the allocation of aid dollars and former Japanese enterprises were continuously supported by the Park regime only if they paid back through economic performance such as exports and unofficial political contributions. As a result, the *chaebol* expanded rapidly, while most SMEs had difficulty in getting loans and had to rely much more on the curb market. Thus, the collusion between politics and business (*chungkyungyoochak*)—the triple alliance of the government, the *chaebol*, and the banks—was gradually established (Lee 1995).

Table 8. Real and Nominal Loan Rates, 1963-1976

Year	Nominal Rate	Curb Rate	Inflation	Real Rate
1963	15.7	52.6	28.7	-13.0
1964	16.0	61.8	32.1	-16.1
1965	26.0	58.9	8.2	17.8
1966	26.0	58.7	14.3	11.7
1967	26.0	56.5	14.0	12.0
1968	25.8	56.0	11.8	14.0
1969	24.5	51.4	10.1	14.4
1970	24.0	49.8	13.2	10.8
1971	23.0	46.4	11.5	11.5
1972	17.7	39.0	14.5	3.2
1973	15.5	33.4	9.4	6.1
1974	15.5	40.6	26.7	-11.2
1975	15.5	41.3	24.1	-8.6
1976	17.5	n.a.	15.7	1.8

Source: Jones and Sakong (1980:105)

Cultivating good relationships with the President became a golden road for business expansion, under Park Chung-Hee and Chun Doo-Whan in particular, and to a lesser degree, under subsequent presidents as well. Chung Ju-Young of Hyundai and Kim Woo-Jung of Daewoo had close personal links with Park Chung-Hee and received extensive support (Moran 1999). Chung Ju-Young's close ties to Park led the media to

dub Hyundai the “*Yushin chaebol*.” On the other hand, Samhak, a major distillery and one of the largest Korean conglomerates in the late 1960s, faced misfortune because the owner backed Kim Dae-Jung in the 1971 presidential election. After the election, Samhak was convicted of tax evasion and forced into bankruptcy (Lie 1998:90-91).

Another myth about Park Chung-Hee is that his administration was coherent and autonomous, while Rhee’s was incoherent and captured by businesses. Clearly, Park’s *chaebol*-centered industrialization strategy was not a result of the *chaebol*’s lobby, but rather was based on his own desire to emulate Japan’s industrialization. The *chaebol*’s share of the national economy was small when Park seized power, because of land reform and the destruction of private properties during the war. The level of economic concentration was still relatively low during the 1970s in comparison with other countries like Pakistan and India, although business concentration was rapidly growing in Korea at that time (Jones and Sakong 1980:261-269). As economic concentration by the *chaebol* grew, however, Park and subsequent regimes often found themselves being effectively captured by them. Although Park chose his business clients and the *chaebol* grew under his patronage, he had to accommodate the *chaebol*’s demand for a bail-out when they were in crisis. When big businesses faced the threat of financial insolvency in 1971,¹¹ the Federation of Korean Industrialists (FKI) requested that President Park freeze the curb, transfer outstanding curb loans to official financial intermediaries, reduce the corporate tax, and slash interest rates. Park issued an Emergency Decree for Economic Stability and Growth, which transformed curb market loans into bank loans to be repaid over five years at lower interest rates, with a grace period of three years during which curb market loans were to be frozen. To bail out the overleveraged *chaebol*, the Emergency Decree shifted the burden to small savers. Out of 209,896 persons who registered as creditors, 70 percent were small lenders with assets in the market below 1 million won, or \$2,890 (Woo 1991: 109-115; Kim and Im).

Park encouraged businesses to organize business associations, probably to make it easier to control individual firms. Business associations were, on the one hand, valuable

¹¹ Because of the IMF pressure after the first debt crisis of 1969, Park had to implement tough stabilization policies. As a result, the *chaebol* could not obtain bank loans as easily as before and had to rely on the high-interest curb market substantially.

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and reliable sources of information for state officials and thus facilitated collaboration between the state and the business (Evans 1995; Schneider and Maxfield 1997). They also served as a conduit of raising official funds like the National Security Fund as well as unofficial political funds. For example, the FKI used to allocate to the *chaebol* specific amounts of political donations and contributions to the National Security Fund (Oh and Sim 1995). Business associations as well as the *chaebol* became increasingly powerful, however, as the example of the successful lobbying by the FKI for freezing the curb market demonstrates.

Senior government officials often moved to corporate think tanks or to leadership positions in business associations (Perkins 2000). Although Schneider and Maxfield (1997) conjectured that the association leaders were extensions of the economic bureaucracy rather than representatives of the private sector, this view of the developmental state overlooks the aspect of a growing tendency of capture and corruption. Although Korea's developmental state never degenerated into a hopeless degree of capture and corruption as in the Philippines, the growing power of the *chaebol* increasingly became a great concern for the public as well as for subsequent administrations.

When Chun Doo-Whan came to power in 1980, he initially attempted to prosecute big business on charges of illicit wealth accumulation, cut the collusion between government and business, and introduce aggressive neo-liberal reforms. The FKI made an open statement that it was not desirable to make big business a scapegoat in every regime change and that preferential treatment of big business was not an act of corruption. At the same time, they made it clear that they were willing to support and comply with the new government. Chun accepted the pledges of loyalty in return for dropping the corruption charges as Park did in 1961.

In September 1980, however, Chun's new government announced sweeping reforms to reduce business concentration such as the forced sale of the *chaebol*'s "idle" real estate and non-essential subsidiaries and tight credit control over big business. Twenty-six of the largest *chaebol* were instructed to sell off 166 subsidiaries (from a total of 631) and to dispose of 459 tracts of idle land. In the same vein, the Monopoly Regulation and Fair

Trade Law was enacted in April 1981. There was little progress in reducing economic concentration during Chun's presidency, however. The FKI openly opposed and lobbied against the monopoly regulation law, tight credit controls, and industrial rationalization. Although the *chaebol* were forced to sell off a total of 166 subsidiaries in 1981, within four years 120 new subsidiaries were acquired. Similarly, the *chaebol* acquired new land holdings worth 20 times more than those they had sold off (Moon 1994).

Similar things were repeated under the Roh Tae-Woo and Kim Young-Sam administrations. Like Chun, both Roh and Kim initially attempted to implement some measures to reduce economic concentration, primarily to improve public support. At the end of each president's five-year term, however, the *chaebol* ended up increasing their size and power. In particular, both Chun and Roh met frequently with heads of the *chaebol* individually and received huge amount of unofficial political donations. When Roh had to run for the direct presidential election, competing with Kim Young-Sam and Kim Dae-Jung, Chun was known to have met with 30 heads of *chaebol* and collected 5 billion won from each. Thus, he was easily able to raise funds, out of which he gave 100 billion won to Roh (Oh and Sim 1995). Although Kim Young-Sam is not known to have directly received political donations from the *chaebol* during his presidency, he is known to have received 60 billion won from Chung Tae-Soo, the head of the Hanbo group, when he was competing with Kim Dae-Jung in the 1992 presidential election (Woo 1991:60). Thus, reform of the *chaebol* was not pursued with vigor and was effectively abandoned in exchange for illegal political donations.

As Table 9 shows, economic concentration by the *chaebol* increased over time, and the really vigorous measures for reform of the *chaebol* did not occur until Korea was hit by a financial crisis and had to be bailed out by the IMF. Park's *chaebol*-centered industrialization strategy produced not only corruption and collusion between the government and the *chaebol* but also increasingly created inefficiencies and widened inequality. It is well known that the collapse of overleveraged *chaebol* like Hanbo in 1997 and the excessive short-term debt of the *chaebol* from foreign banks was one main reason why Korea became a victim of the Asian financial crisis, while Taiwan was little affected by the crisis. In fact, the inefficiencies of the "chaebol economy" and the risks

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of overleveraged *chaebol* that became evident to everyone after 1997 were manifest much earlier. As early as 1980, Korean manufacturers had an average debt equity ratio of 488 percent, while this ratio remained below 200 percent in Taiwan (Kim and Im 2001).

Table 9. Trends in *Chaebol* Concentration, 1985-95

(Cumulative percent for manufacturing industry)

(unit:%)

# chaebol	# employees			sales			value added			assets		
	1985	1990	1995	1985	1990	1995	1985	1990	1995	1985	1990	1995
4	6.5	6.9	8.1	21.9	23.4	27.3	11.7	17	27.2	23.6	26	28
10	8.2	9	10.7	33.5	32.6	37.2	16.5	22.8	29.3	33.3	36.5	39.5
30	11.6	11.7	13.1	43.1	40.6	44.9	22.2	29	41	45.6	46.8	50.2

Source: Cho (1997)

The 1971 bail-out of big businesses, done at the expense of a large number of small creditors, signaled that the state would not be able to let a big business fail if only it is big enough for its failure to give the national economy an intolerable shock. Because the interest rate of the state-controlled banks was always much lower than the market interest rate, the *chaebol* had an incentive to over-invest, relying on over-borrowing. When the size of the national economy was relatively small, the state could coordinate investments and prevent redundant and excessive investments. As the national economy as well as the size of the *chaebol* grew, the coordination became more and more difficult and inefficiencies grew.

The *Chaebol's* investments were not limited to productive ones. One serious problem was the land speculation of the *chaebol*. The overexpansion of large cities in the 1970s brought about a land shortage, which forced up the price of land and housing (Suh 1998:26). The *chaebol* purchased large areas of land not for productive but for speculative purposes with the low-interest bank loans. Because the price of land increased much faster than average prices of other goods, it was a very profitable investment for the *chaebol*. Five percent of landowners owned 65 percent of private land in 1989, and their share increased to 83 percent in 2004 (Hangyoreh Sinmun 07-15-2005).

Chaebol-centered industrialization increased the inequality of income and wealth. The Gini index rose during the 1970s, fell a little in the 1980s, but rose again in the 1990s. In particular, income inequality has been continuously increasing after the financial crisis of 1997 (Lee Forthcoming; Yoo and Kim 2002). Lee (1991) shows that increasing inequality in land ownership and capital gains from land ownership contribute significantly to income inequality, although official income statistics fail to capture this. He estimates that unearned income from transactions of land accounted for 10-20 percent of GDP in the late 1980s. While the Gini index based on official income statistics was 33.6 in 1988, it was as high as 38.6 including capital gains from land, and 41.2 including capital gains from shares as well as land, according to his estimates. Although land reform contributed to an unusually low income inequality, it was restricted to farmland. Land speculation of the rich and the *chaebol* increasingly concentrated land ownership and worsened income distribution.

In summary, *chaebol* industrialization increased income inequality and wealth concentration over time, and the balance of power has shifted. Those in political power and the *chaebol* exchanged favors, such as under-priced credit allocation and political donation. Although the state had a dominant position in the early period, the *chaebol*'s ability to buy political influence increased and the state was increasingly captured by the *chaebol* due to corruption and the logic of "too big to fail."

Democratization and the development of civil society

The role of democratization and democracy in controlling corruption is not simple. Democratization has both positive and negative impacts on controlling corruption. Competitive elections and the growth of civil society can be a check on corrupt politicians, but the need to finance expensive election campaigns creates new incentives for corruption. Moreover, the exposure of corruption and media reports are likely to increase with improvement of the freedom of the press, which may cause perceptions of corruption to rise even though actual corruption has not risen (Rose-Ackerman 1999).

As I earlier indicated in Table 3, the trend of the CPI shows corruption became lower under Kim Young-Sam (1993-97: CPI of 4.3), Kim Dae-Jung (1998-2002: CPI of 4.2),

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and Roh Moo-Hyun (2003-04: CPI of 4.8) than under Chun Doo-Whan (1981-87: CPI of 3.9) and Roh Tae-Woo (1988-92: CPI of 3.5). If the CPI trend reflects reality, the positive effect of democratization on controlling corruption was not realized immediately but several years after democratization began in 1987.

Although Roh Tae-Woo (1988-92) was elected president in a democratic election, thanks to a split of votes between two former democratization fighters, Kim Dae-Jung and Kim Young-Sam, he was the second man in the 1980 military coup and Chun's pick as his successor. His anti-corruption campaign never gained public confidence, and he turned out to be no less corrupt than Chun. As the need to finance expensive election campaigns creates new incentives for corruption (Rose-Ackerman 1999).

Kim Young-Sam (1993-97) was the first civilian President after Rhee, although his former Party for Unification and Democracy merged with Roh Tae-Woo's Democratic Justice Party and thus was supported by former military political power. Kim Young-Sam launched an extensive anti-corruption drive, which was regarded as genuine by the general public. He declared he would not receive any money as president unlike his predecessors, and introduced reforms such as the disclosure of assets by high-level public officials, the real-name financial transaction system, and amendments of the Election Malpractice Prevention Act and the Political Fund Law. The 1995 local elections were generally assessed to be very clean with a marked decline in practices of vote-buying, but the ruling party was decisively defeated (Oh 1999). In the 1996 national assembly elections, Kim Young-Sam seemed to be more interested in the results of the election than in fair and clean processes.

Between the 1995 local elections and the 1996 national assembly elections, two former Presidents, Chun Doo-Whan and Roh Tae-Woo, were arrested and indicted on charges of corruption as well as mutiny and treason, and their trial began. Chun and Roh were sentenced to death and 22.5 years in prison, respectively, in August 1996 (Oh 1999). They were later given presidential pardons with the agreement between Kim Young-Sam and Kim Dae-Jung just after Kim Dae-Jung was elected President in the midst of the financial crisis in December 1997.

Although Kim Young-Sam's anti-corruption drive reached a peak with the indictment of Chun and Roh, the 1996 national elections revealed his political will to root out corruption had been compromised by his will to win. The Hanbo corruption scandal and its bankruptcy in 1997 revealed not only the weakness of the *chaebol*-centered economy but also corrupt relations between the *chaebol* and the political elite including Kim Young-Sam's son. Later, it was revealed that Kim Young-Sam himself had received 60 billion won in donations from Chung Tae-Soo of Hanbo in 1992 and that around 100 billion won of illegal funds were used in the 1996 National Assembly elections when he was president.

Kim Dae-Jung (1998-2002) was the first president in Korean history who was elected as an opposition candidate. With the economic crisis, public sentiment was very critical of the *chaebol* and the collusion between government and the *chaebol*, and public expectations for anti-corruption reform was high. Unlike those of Kim Young-Sam, the reforms of Kim Dae-Jung were more focused on enhancing autonomy of banks and transparency of the *chaebol* than purging corrupt politicians. James Schopf (2001) demonstrates that Korea experienced a noticeable drop in bank-based corruption from the dictatorial Chun regime, where low-interest bank loans were exchanged for bribes, to the democratic Kim Dae-Jung government, which severed the link between political leaders and bank presidents through bank management reform. As with Kim Young-Sam, however, Kim Dae-Jung's sons were found to be involved in corruption scandals.

Roh Moo-Hyun (2003-2007) obtained the party's nomination through caucuses and primaries with a relatively small campaign fund. He largely relied on small donations through the internet and grassroots mobilization for his campaign fund for the presidential election, and defeated the conservative candidate, Lee Hoi-Chang, who was later found to be illegally funded by the *chaebol*. Roh Moo-Hyun was not perfectly free from illegal funds, and his aids were prosecuted together with Lee Hoi-Chang's campaign fundraisers. Samsung Group was found to have made an illegal contribution of 34 billion won to Lee and 3 billion won to Roh in the 2002 presidential election (PSPD 2005). The National Assembly elections in April 2004 were seen as relatively clean.

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No less important, an anti-corruption campaign came from civil society. Civil society organizations launched a “campaign for fair and clean elections” starting in 1991, and it is believed that it contributed considerably to monitoring politicians and to increasing public awareness. Civil society organizations upgraded their movement in 2000. They released a list of corrupt politicians and launched negative campaigns to defeat them. Seventy percent of those candidates on the black list of CSOs were defeated in the National Assembly elections of April 2000 (You 2003).

The trend of the CPI seems to reflect reality to a certain degree. The CPI was highest in 1995 (4.3) and 1996 (5.0) after Kim Young-Sam’s extensive anti-corruption drive. The relatively low scores of the CPI in 1997 (4.3), 1998 (4.2), and 1999 (3.8) seem to reflect partly the corruption scandals such as Hanbo’s that occurred in 1997 and partly the perceptions of crony capitalism by the international community after the financial crisis of 1997. The gradually increasing CPI scores in recent years from 3.8 in 1999 to 5.1 in 2006 and 2007 may reflect various reform measures taken during this period and recovery from the perception of “crony capitalism” as Korea has recovered from the economic crisis.

There are some promising signs in recent years. Some surveys indicate that corruption has been slightly declining recently. The annual surveys of the Korea Independent Commission Against Corruption (KICAC) show that the percentage of clients that bribe public officials by money or entertainment has been declining from 4.1 percent in 2002, to 3.5 percent in 2003, to 1.5 percent in 2004. Public opinion surveys conducted in 1996 and 2003 show that the Korean people are increasingly intolerant of corruption, as Table 10 indicates.

Table 10. Public Opinion about the Acceptability of Bribery

<Survey year>	To a traffic policeman		To a teacher		To a public official	
	1996	2003	1996	2003	1996	2003
Strongly oppose	36.2	61.9	55.9	66.8	44.6	71.0
Somewhat oppose	23.8	17.3	19.7	14.8	27.3	15.4
Uncertain	26.1	17.6	15.4	14.8	20.5	9.9
Somewhat acceptable	11.9	3.0	7.9	3.1	6.1	3.3
Very acceptable	1.8	0.3	0.8	0.6	0.8	0.3

Sources: Lim (1996) and Park (2003).

It seems that Korea is slowly reducing corruption, although it is too early to tell with certainty. In the earlier period of democratization, the corrupting effect due to the increasing demand for political funds seemed to be stronger than the anti-corruption effect due to enhanced monitoring and accountability mechanisms. Democratic reforms and the growth of civil society, however, seem to increasingly play a positive role in curbing corruption. Many Koreans hope that the practice of huge amounts (billions of won) of illegal political contributions by the *chaebol* will subside in the future, but it is yet to be seen whether new practices of transparent financing of political funds will be firmly established.¹²

Conclusion

Among the conventionally accepted causes of corruption, only income inequality is significantly correlated with corruption among the three countries of Korea, Taiwan, and the Philippines, consistent with the finding of the cross-national statistical study of You and Khagram (2005). Further analysis reveals that land reform in Korea and Taiwan dissolved the landed elite and produced an unusually equal initial distribution of income and wealth, which helped prevent the state apparatus from being hopelessly captured by a powerful class. Corruption was not a main factor that determined the success or failure of land reform, and external factors played more important roles. Thus, land reform was exogenously given to Korea and Taiwan, where landlords lost political power because of their collaboration with the Japanese colonial rule and there was urgency for reform because of imminent communist threats. In the Philippines, however, there was not such urgency for reform for both domestic politics and the US, and the landed elite were able to resist the reform successfully. Consequently, the level of inequality and corruption in Korea and Taiwan has been much lower than that in the Philippines.

Although it is hard to compare the level of corruption before and after land reform in Korea because the government immediately prior to the reform was the American Military Government, some observers report that corruption decreased substantially after

¹² The recent Samsung slush fund scandal shows that such old practices have not disappeared, but the special prosecution of the scandal could help end such practices of *chaebol*.

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the reform in Taiwan (Putzel 1992). In contrast, in the Philippines, the failure of land reform maintained the power of the landed oligarchy and led to high inequality in income and wealth: the landed and business elites were able to capture the state, and continuous redistributive pressures for land forced the politicians to repeatedly promise land reform and the landlords to increasingly rely on corruption.

Although both Korea and Taiwan enjoyed exceptionally high equality initially largely due to land reform, Korea's *chaebol*-centered industrialization policies increased income inequality and encouraged rent-seeking and corruption at the same time. In contrast, Taiwan's monetary conservatism and SME-centered industrialization did not encourage rent-seeking and moral hazard. Thus, Korea's level of corruption has become a little higher than that of Taiwan. Again, corruption did not much affect the initial choice of different industrialization strategies, but different government policies had a large impact on corruption, efficiency, and inequality.

This study suggests that economic growth is a consequence rather than a cause of corruption. Inequality affected the level of corruption and capture, which in turn determined economic growth. Thus, corruption is likely to be an important channel through which inequality adversely affects economic growth. Although Alesina and Rodrik (1994) and Persson and Tabellini (1994) argue that the adverse effect of inequality on economic growth is attributable to high rates of taxation and redistribution, my findings suggest an alternative explanation, with corruption as a causal pathway. The Philippine case demonstrates that inequality does not necessarily cause redistribution. Inequality created redistributive demand, but the wealthy employed corruption and capture to avoid or minimize redistribution.

This paper also shows that government intervention does not necessarily increase corruption. Some kinds of government intervention increase inequality and corruption at the same time. The sale of Japanese vested properties and a low interest rate credit allocation are such examples. Redistribution of farmland did not produce corruption, however, because it was implemented in a transparent and participatory way. The extensive state ownership of big corporations in Taiwan did not create much corruption, while favoring big conglomerates in Korea did create much corruption. Thus, the policy

implication of this study is that simply linking the extent of government intervention or the size of government to corruption is too naïve and that the kind of intervention and the method of implementation should be considered.

In summary, this comparative historical analysis not only supports my argument for the causal effect of inequality on corruption, but also shows through what mechanisms different levels of income and wealth inequality due to exogenous shocks (land reform and industrial policy) affected corruption. The causal mechanisms identified by this paper are: (1) higher inequality (due to failure of land reform) → stronger redistributive pressures → greater incentives and resources for corruption, (2) lower inequality (due to land reform) → more equal opportunity for education → meritocratic bureaucracy → lower corruption, and (3) certain government interventions (under-priced credit rationing for the *chaebol*) → higher inequality and corruption at the same time.

Regarding the democracy effect, the Korean case illustrates both a corrupting effect due to political financing needs and an anti-corruption effect due to enhanced monitoring and accountability mechanisms. Increasing income inequality and economic concentration by the *chaebol* are continuing concerns, while the positive effect of democratic reforms is a promising sign for Korea.

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