

Process-tracing paper:

Development of Corruption Control in South Korea

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I. Introduction

Various indicators of corruption show that South Korea has been relatively successful in control of corruption, compared to other Asian countries, although the country's performance is still below the OECD standards. In particular, the level of petty bureaucratic corruption is among the best in Asia, along with Japan, Hong Kong and Singapore according to the Transparency International's Global Corruption Barometer surveys. Petty electoral corruption and vote-buying practices have almost disappeared, although corporate and political corruption are still of considerable concern (Kalinowski and Kim 2014). The country's ranks in CPI and Control of Corruption indicator seem to reflect both the substantial improvements and the ongoing problems. South Korea's CPI score in 2014 was 55, out of the possible perfect score of 100, and ranked 44 out of 174 countries. The country's Control of Corruption score in 2013 was 0.55- standard deviation above the world mean, or at the 70.3 percentile rank. The country's reasonably good performance in control of corruption indicates that norms of ethical universalism largely prevail over particularism, although the latter is still significant in some areas such as corporate governance and business-government relations. (See the Appendix for various indicators of control of corruption in South Korea.)

While South Korea today is widely recognized as a rich and robust democracy with relatively good governance, many Western observers considered the country a hopelessly corrupt and poor autocracy in the 1950s. Since its independence a little more than a half century ago, South Korea has been transitioning, if not completed a transition, from particularism of the limited access order to ethical universalism of the open access order (North, Wallis and Weingast 2009; You 2012). How did this happen? Is the development of good governance based on ethical universalism a natural byproduct of economic development? Otherwise, was good governance established by a benevolent dictator or achieved by people's struggles? Have governance norms developed gradually over time, or suddenly at some critical junctures? Who and what

factors are responsible for the changes? These are the questions I attempt to address in this paper (chapter).

I will first assess the political, economic and social bases of contemporary control of corruption in South Korea, focusing on how norms of ethical universalism prevail over particularism. Then, I will look at the early period of post-independence, or the period of the first president Syngman Rhee (1948-1960), when particularism was dominant. Comparison of the political, economic and social bases of corruption control in the two periods indicates that it's not just the level of economic development but broader political economy that differentiates the two periods. This suggests that the changes in governance norms were not just a byproduct of economic development. In order to identify the causes of change, I will conduct process tracing, or causal process observation, of the broad political economy of governance norms. I will focus on the role of human agency in changing norms of governance, while not neglecting the effects of structural factors.

My process-tracing of dynamic sequence of events helps to distinguish four periods with different equilibria of norms of particularism and universalism. Each period is defined by major political events. The first period (1948-60) starts with the establishment of two separate states in the Korean peninsula in 1948. The second period (1960-1987) starts with the April 19 Student Revolution of 1960, followed by the May 16 military coup of 1961. The third period (1987-1997) starts with the democratic transition of 1987 and ends with the financial crisis and the humiliating IMF bailout loan of 1997. The fourth period (1997-), in which ethical universalism has become dominant, was ushered in with the first transfer of power to the opposition and the sweeping reform of corporate and financial sectors in the aftermath of the financial crisis.

I also identify several critical reforms that have contributed to the change of governance norms. The dissolution of the landed aristocracy and relatively equal distribution of wealth due to sweeping land reform (1948 and 1950) and rapid expansion of education laid the structural foundations for the growth of ethical universalism. Gradual expansion of civil service examinations (1950s-1990s), democratization (1960 and 1987), good governance reforms (1988-) and post-financial crisis economic reform (1998-9) promoted norms of ethical universalism. I will explore how these reforms were carried out, who were the main actors, what made them possible, and what impact they made on governance norms.

II. Political, Social and Economic Bases of Contemporary Control of Corruption

In this section, I will examine the political, social and economic bases of contemporary control of corruption in South Korea. I will consider broad political economy of the country that affects opportunities and constraints for corruption. In particular, I will focus on the features of ethical universalism vs. particularism in bureaucratic structure, political competition and underlying socio-economic conditions such as the distribution of power resources and strength of civil society.

In contemporary South Korea, meritocracy is pretty well established in bureaucratic appointment and promotion, and the manner of public administration is largely impartial. Programmatic competition, rather than clientelistic competition, largely defines Korean politics. Corruption scandals still occur frequently, but corrupt politicians are prosecuted and punished at the poll quite rigorously. While particularism is still significant in some of the political, social and economic spheres, ethical universalism and rule of law are largely respected in Korean society today.

Bureaucratic structure

Empirical studies have shown that Weberian bureaucracy, in particular, meritocratic recruitment, is closely associated with lower corruption (Rauch and Evans 2000; Dahlstrom, Teorell and Lapuente 2012). Meritocratic recruitment is considered an important feature of universalism, while the prevalence of patronage appointments in many developing countries is an important manifestation of particularism. South Korea has been widely recognized for its autonomous, meritocratic and competent bureaucracy, or Weberian type of bureaucracy. According to Evans and Rauch's (1999) "Weberianness" scores data for thirty-five developing countries in the period of 1970 to 1990, South Korea was among the best with a Weberianness score of 13, much higher than the sample mean of 7.2 and behind only Singapore with a score of 13.5. South Korea received good scores in all three components of Weberianness, i.e., meritocratic recruitment, internal promotion and salary. Recently, the Quality of Government Institute at Gothenburg University conducted a survey of bureaucratic structure for 105 countries in the world (Teorell, Dahlstrom and Dahlberg 2011). South Korea scored 5.05 in terms of "professional bureaucracy" or absence of patronage, much higher than the sample mean of 3.93, and ranked 12th (just behind Canada) out of 105 countries. The country scored 0.71 in terms of "impartial administration," or absence of bureaucratic corruption, much higher than the sample mean of -0.11, and ranked 19th (just behind the United States).

Party system and electoral mobilization

An important distinction between universalism and particularism in political competition and electoral mobilization can be found in the relative prevalence of programmatic competition vs. clientelistic competition. While programmatic competition/mobilization takes place surrounding different political parties offering different policies that are applied equally to everyone who meets certain criteria or to the whole population, clientelistic competition/mobilization takes place surrounding particularistic benefits in exchange for political support. Clientelism typically involves exchange of individualistic constituency service and votes as well as more outright vote buying in cash, gift, entertainment, and promise of public sector jobs. Thus clientelism increases not only petty electoral corruption, it also increases high-level political corruption because of politicians' need for clientelistic resources and bureaucratic corruption through provision of patronage jobs in the bureaucracy. Moreover, clientelism makes voters clients of politicians as patron, thus voters cannot hold politicians accountable. The assumption in the principal-agent model of corruption that democratic elections enable voters (principal) punish corrupt politicians (agent) collapses in clientelism (You 2015: 23-27).

In today's South Korean politics, clientelistic competition based on particularistic provision of constituency services and favors for political support is still significant, but vote-buying practices have almost disappeared. Elections are mostly defined by programmatic competition between major parties with different ideological orientation and policy programs (You 2015: 105-114). While major parties frequently change their names and reshuffle, and sometimes split and/or merge with others, major two parties-one more conservative and the other more liberal/progressive- are always clearly identified and recognized by people. There have been two peaceful transfers of power: from a conservative government to a liberal one in 1997 and back to a conservative one in 2007. Also, smaller parties on the left have been clearly recognized by the populace. Regional politics is no less significant than ideological politics, with the main conservative party enjoying strong support in Youngnam region, or the Southeastern part of the country, and the main liberal/progressive party having strong base in Honam region, or the Southwestern part of the country. Regional politics is substantially intertwined with ideological politics (Moon 2005), but the importance of regional cleavage has been gradually and slowly declining as the importance of ideological and generational cleavages has been rapidly growing (Kang 2008; Seong 2015). While clientelistic practices to exchange votes for particularistic benefits have become substantially less frequent than in the early years of post-democratic transition, clientelistic relations with the business are still an important reason for recurring corruption scandals.

Distribution of power and power resources

As Alina Mungiu-Pippidi (2006) noted, particularism mirrors the vicious distribution of power, which in turn is affected by the distribution of power resources. In authoritarian regimes, in which power is concentrated and access to power is limited to privileged individuals and groups, particularism prevails. In democracies, politicians are held accountable by the people through elections and concentration of power is further prevented by horizontal mechanisms of checks and balances between branches of government. Voting power is equally distributed to every citizen in principle, but skewed distribution of income, wealth, knowledge (education), social networks and other power resources can undermine political equality and norms of ethical universalism. High economic inequality not only increases the risk of elite capture but also encourages clientelism (You 2015: 30-34). The large proportion of poor population is vulnerable to clientelism, and the wealthy elite have incentives to prevent programmatic politics from developing because programmatic competition could strengthen the leftist parties. There is strong correlation between inequality and clientelism, and the correlation is stronger among countries with longer histories of democracy (You 2015: 236-244).

While South Korea's president enjoys strong constitutional power, the checks and balances have been strengthened over time since the democratic transition. In particular, frequent occurrence of divided government often placed strong constraints on the executive from increasingly assertive legislature. However, the conservative Lee Myung-bak (2008-2012) and Park Geun-hye (2013-2017) administrations have enjoyed comfortable majority of their party in the National Assembly. With little constraint from the legislature, the presidents filled the vacancies in the Supreme Court, Constitutional Court, and National Human Right Commission with very conservative persons. There are concerns that the independence of the courts and the commission has been compromised. Also, there are growing concerns about politicization of the prosecution and suppression of free speech (You 2014a; Haggard and You 2015).

South Korea has been recognized as a success story for "growth with equity" (World Bank 1993; Rodrik 1995). The country used to enjoy an unusually equal distribution of income and wealth and a high level of human capital (You 1998). Thus, South Korea has been known to have favorable structural conditions for state autonomy and good governance. On the other hand, there have been concerns about economic concentration by large *chaebols* and crony capitalism (Kang 2002; Kalinowski 2009). Recent studies show that both income inequality and *chaebol* concentration are rising rapidly. Kim (2011) shows that *chaebol* concentration, which declined for several years after the post-financial crisis reform, has been rising again. Kim and Kim (2014) shows that the top 1 percent's income share has been increasing rapidly since the late 1990s. In addition, there is evidence that increasing income inequality has been translated into increasing gap in educational opportunity (Kim 2014).

While the increasing concentration of wealth and income among the few is eroding the structural foundations for good governance, the vibrant civil society is functioning as an important check on corporate malfeasance as well as abuse of public office. Civil society organizations are highly trusted and respected and exert considerable political influence in South Korea. According to the 2015 Edelman Trust Barometer, NGOs are more highly trusted in Korea (68) than in other countries (global mean=63), while government and business are less trusted in Korea (33 and 36, respectively) than in other countries (global mean=48 and 57, respectively).

III. Political, Social and Economic Bases of Control of Corruption during the First Republic (1948-1960) and the Subsequent Development of Governance Norms

South Korea during the First Republic, or Syngman Rhee period (1948-60) was a poor country with rampant corruption. Clientelism dominated politics, patronage appointments were common in bureaucracy, and favoritism and nepotism were the norm in much of policy-making and policy-implementing processes. Overall, particularism prevailed and corruption was part of everyday life from the top to the bottom of the society. However, the dissolution of the landed aristocracy, relatively egalitarian socio-economic structure, and rapid expansion of education provided favorable conditions for future development of civil society and norms of ethical universalism.

Distribution of power and power resources during the Rhee period

While the country was formally a democracy, President Syngman Rhee became increasingly authoritarian, amending the constitution twice in irregular ways to remove the presidential term limit for the first president of the country. Power was concentrated on the president and the National Assembly lost the power to check the abuse of the executive. The police and the bureaucracy effectively became the political machinery of the president's Liberal Party.

Civil society was weak. Leftist political parties and left-leaning political and civil groups were completely suppressed. Government-organized and/or government-sponsored rightist organizations, including some violent youth groups, trade union, women's groups, dominated the civil society. Thus the space for autonomous civil society was very narrow.

While almost everyone was poor, the emerging industrialists sought lucrative business opportunities from the government's distribution of former Japanese-owned enterprises and import licenses. Large amounts of US aid were another important source of rents. Distribution of aid was not administered impartially,

but favoritism and nepotism were common. Thus, the ruling Liberal Party and the bureaucrats had plentiful resources to distribute to their supporters, clans and cronies. Business success was dependent more on political connections than on productivity and competitiveness.

There was no dominant class that could capture the state after the landed aristocracy had been dissolved by the land reform. With the introduction of universal primary education, the enrollment for primary education rose rapidly and reached almost 100 percent by the end of 1950s. Secondary and tertiary education also expanded tremendously (McGinn *et al.* 1980). However, such structurally favorable conditions for state autonomy and norms of ethical universalism did not automatically make such norms take roots.

Clientelistic politics during the Rhee period

As Keefer (2007) and Keefer and Vlaicu (2008) argue, young democracies are prone to clientelism because it takes time for political parties to build policy reputations. Indeed personalistic and clientelistic competition dominated National Assembly elections in the early years in South Korea. The proportion of independents elected in the 1948, 1950 and 1952 legislative elections ranged between 40 and 60 percent. Major political parties did not have any substantial differences in policy directions, except for the opposition party's criticism against the increasingly authoritarian style of governance. The two-party system was not established until the 1956 and 1958 elections, from which national elections became contests between the authoritarian ruling party and the pro-democracy opposition party (You 2015: 106).

Although the party system became gradually institutionalized and a certain degree of programmatic competition surrounding the issue of democratization emerged, the ruling Liberal Party's reliance on clientelistic mobilization was strengthened as President Rhee's popularity waned over time. Thus clientelism and vote buying practices became increasingly prevalent not only in legislative and local elections but also in presidential elections. Major corruption scandals broke out during every presidential election year, as the government dispensed favors to the incipient *chaebol* in return for illicit political contributions (You 2015: 131).

Bureaucratic patronage during the Rhee period

Competitive civil service examination was implemented, starting from 1949. However, most of civil servants during the Syngman Rhee period were recruited via special appointments rather than civil service examinations. Many of the special appointments were patronage jobs dispensed by powerful politicians and senior bureaucrats. Rampant practices of patronage appointment led to endemic

bureaucratic corruption, because those bureaucrats who obtained their job via patronage sought to repay their patrons and get promotion by bribing powerful officials. The insignificant role of civil service examination in establishing a meritocratic bureaucracy was caused by at least two problems. First, the bulk of the civil servants had to be hired before the establishment of the civil service examination. Since the South Korean state was creating a new bureaucracy, it was to a certain extent inevitable to recruit the bulk of civil servants from the pool of Korean officials previously serving in the American Military Government (1945-48), many of whom had worked for the Japanese colonial government. Second, the civil service examinations were administered for the higher-entry level (Grade III-B) and middle-entry level (Grade IV-B) but not for the lower-entry level (Grade V-B) during the Syngman Rhee period. The demand for new recruitment at the higher- and middle-entry levels was not large after recruiting a large number of officials via special appointment during the first few years, while the annual number of recruitments at the lower-entry level was much larger. This provided a large room for patronage appointments. Even for the new recruits at the higher- and middle-entry levels, the proportion of civil service examination passers was less than a half during the 1950s, leaving substantial room for special appointments.

Development of governance norms in South Korea

As we have seen above, governance norms during the Syngman Rhee period (1948-60) and those in the contemporary South Korea are radically different. How have they changed? Process tracing of changes in governance norms suggests that there were four distinct periods with different equilibria of norms of particularism and universalism. Between the first period (1948-60) in which norms of particularism were dominant and the fourth period (1998-) in which ethical universalism became dominant, there were two intermediate periods. Table 1 summarizes governance norms, critical reforms, major actors and context variables for each period.

The first period (1948-60), or a period of new state building, starts with the establishment of two separate states in the Korean peninsula in 1948. It went through a devastating civil war (1950-53) that developed into the first international war of the Cold War era. Although the first period (1948-60) was characterized by the norms of particularism, there were important reforms that had long-lasting effects on the development of norms of ethical universalism: introduction of formal institutions of democracy, universal primary education, and implementation of far-reaching land reform. In particular, land reform fundamentally changed the class structure of the Korean society that had been long dominated by the landed aristocracy. The reform also contributed to the

rapid expansion of education by making education affordable to those tenant-turned-owner-cultivators.

Table 1. Development of governance norms in South Korea

Period	Governance Norms	Critical Reforms	Actors	Context Variables
1948-1960	Particularism, with formal institutions of universalism *Clientelistic politics *Bureaucratic patronage *Favoritism, nepotism *Business, relying on political connections	Land reform (1948, 1950) Formal democracy *Universal suffrage (1948) *Universal primary education (1948) *Civil service exam (1949)	*Popular demand *U.S. *National Assembly *President Rhee Opponents: Landlords, Korea Democratic Party	*North Korea's radical land reform (1946) *Korean War (1950-53) *Poor *Inequality, reduced *Landed aristocracy, dissolved *Educational expansion
1960-1987	Particularism, with some development of universalism *Meritocratic bureaucracy *Business, relying on exports (efficiency) & government favors	Democratization movements *Student Revolution (1960) *Civil service exam, expanded (1960-) *military coup (1961) *Spring of Seoul & military crackdown (1980)	*Students *Professors & religious leaders *Urban, educated middle class *Working class Opponents: *Military *Chaebol *U.S. support of the military regimes	*Security threat from & economic competition with North Korea *Rapid, export-oriented Industrialization *Chaebol concentration *Growing middle class & working class
1987-1997	Particularism & ethical universalism, in conflict *Rule of law *Clientelistic politics *Capture by <i>chaebol</i>	Democratic transition (1987) Transparency & anti-corruption reform (1993-5)	*CSOs (CCEJ, PSPD, TI-Korea) *Popular demand *President Kim Young-sam Opponents: *Chaebol *Clientelistic politicians	* Empowerment of civil society *Growing political influence of <i>chaebol</i>
1998-	Ethical universalism, with some particularism *Programmatic politics *Corporate governance, ups & downs	Corporate & financial reform (1998-99) Transparency & anti-corruption reform (1998-)	*CSOs *Popular demand, esp. younger generation *Presidents Kim Dae-jung and Roh Moo-hyun Opponents: *Chaebol *Clientelistic politicians	*Financial crisis & IMF bailout (1997) *Change of governing parties (1998) *Transfer of power back to the conservative (2008)

The second period (1960-87) was a period of democratization movements under military authoritarianism. This period starts with the April 19 Student Revolution of 1960, followed by the May 16 military coup of 1961. There was an important development during this period: civil service reform, or development of a meritocratic bureaucracy. This was also a period of state-led industrialization and growth of *chaebol*. Developmental state literature tended to credit Park Chung-hee for establishing a meritocratic and autonomous bureaucracy and launching an export-oriented industrialization policy, which was impartially implemented by the autonomous bureaucracy. My study shows, however, that a meritocratic bureaucracy was not established overnight by Park Chung-hee but developed gradually for a long time and that the short-lived democratic government of Chang Myon (1960-61) made no less important contributions than Park did.

The third period (1987-97), or early period of democratic consolidation, starts with the democratic transition of 1987 and ends with the financial crisis of 1997. This period was marked by conflicts between the norms of particularism and the norms of ethical universalism. While President Kim Young-sam carried out some important transparency and anticorruption reforms, he was unable to cut his party's clientelism and collusion with the *chaebol*. Economic liberalization reforms removed much of the state control of the private sector, but fell short of removing state protection of the *chaebol* privilege and reforming corporate governance of the *chaebol*.

The fourth period (1998-), which started with a first turnover of power to the opposition and sweeping economic reforms in the aftermath of the financial crisis, is a period of democratic deepening. As I described in section 2, programmatic party competition developed and clientelism and vote buying declined. Political finances became more transparent. Corporate governance improved and markets became more competitive, although there have been some worrisome regressions in recent years.

In order to understand how the norms of governance have changed, we need to examine how the critical reforms were carried out and what impact they made with regard to the governance norms.

IV. The Political Economy of Governance Reforms

In this section, I will explore the political economy of five critical reforms in South Korean history: land reform, civil service reform, democratization, good governance reform and post-financial crisis economic reform. While land reform is not a governance reform but a redistributive reform, it laid the structural foundations for future governance reforms. My analysis will focus on who

(actors) and what (context variables) were responsible for these reforms, how these reforms were carried out, and what impact they made on the change of governance norms.

Land reform (1948, 1950)

South Korea inherited a highly unequal and skewed distribution of land at the time of independence. The richest 2.7 percent of rural households owned two-thirds of all the cultivated lands, while 58 percent owned no land at all (You 2015: 68). However, the sweeping land reforms implemented in 1948 and 1950 completely changed the distribution of land.

Land redistribution in South Korea was carried out in two stages: by the U.S. Military Government (USMG) in 1948 and by the South Korean government in 1950. In March 1948, the USMG distributed 240,000 hectares of former Japanese lands to former tenants, which accounted for 11.7 percent of total cultivated land. The land was sold to the tenant-cultivators, who would pay three times the annual harvest in installments over 15 years (Mitchell 1949).

When the first election was held in the south in May 1948, all parties pledged to implement land reform and the constitution included a commitment to land reform. Syngman Rhee's government implemented agrarian land reform in 1950, just before the Korean War broke out. Restricting the upper ceiling of landownership to three hectares per household, the government redistributed the excess farmland and all lands owned by absentee landlords that amounted to 330,000 hectares of farmland. The landlords received 1.5 times the annual value of all crops in compensation from the government, and their former tenants were to pay the same amount to the government in five years. The implementation of the reform was expedient. The land redistribution was effectively completed before May 30, 1950, when the second National Assembly elections were held. In anticipation of the reforms, about 500,000 hectares had been sold directly by landlords to their tenants, the bulk in 1948 and 1949 (Hong 2001).

In total, ownership of 52 percent of the total cultivated land, or 89 percent of the land that had been cultivated by tenants, was transferred to them and the "principle of land-to-the-tiller" was realized. 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). The land gini dropped from 0.73 in 1945 to 0.38-0.39 in 1960. Thus, South Korea fundamentally transformed rural class structure by implementing one of the most radical land reforms in the non-communist world (You 2015: 68-75).

Land reform profoundly transformed Korean society. The traditional *yangban* (aristocracy) landlord class was dissolved. Peasants became farmers (Lie 1998). Land reform opened space for state autonomy from the dominant class, as there was no organized privileged class or special interests immediately after the land reform. Land redistribution and the destruction of large private properties during the Korean War produced an unusually equal distribution of assets and income in Korea (Mason et al. 1980; You 1998). The income share of the top 1 percent fell from around 20 percent during the 1930s to around 7 percent during the period from the late 1970s to the late 1990s, according to Kim and Kim (2014). Although the data is missing for the period between the early 1940s and the late 1970s, the steep fall in top 1 percent's income share cannot be explained without the role of land reform.

Land reform also facilitated expansion of education, by making education affordable to more people. Land reform also encouraged many large landowners to contribute their land to educational institutions, because educational institutions were exempted from expropriation of land (Park 1987; Oh 2004). At the time of independence about 80 percent of people had not had public schooling of any kind. Less than two percent of the Korean population had more than primary education, and only 0.03 percent had university education (McGinn *et al.* 1980). Between 1945 and 1960, the number of schools almost doubled, that of teachers almost quadrupled, and that of students more than tripled. By 1960, primary education became virtually universal in Korea. Secondary enrollment ratio increased from 3 percent in 1945 to 29 percent in 1960, and tertiary enrollment increased from 4 persons to 41 persons per 10,000 population during the same period (McGinn *et al.* 1980). Considering that the government's budgetary commitment to public education was minimal during that period, the speed of educational expansion would have been slower without land reform. The land reform and expansion of education laid the foundations for rapid industrialization and economic growth with equity (Rodrik 1995; Lie 1998; You 2012; You 2014b).

Why did the USMG and the South Korean government implement such a radical land reform? What made the reform so successful? Certainly landlords resisted. Their representatives tried to delay and water down the reform. However, their resistance was eventually not effective even though the landlord-dominated Korea Democratic Party was the largest party represented in the National Assembly. Both external and internal factors were favorable for reform.

The communist threat from North Korea and the US policy played important roles (You 2014b; You 2015). In March 1946, in the Soviet-occupied north, the Provisional People's Committee implemented a land reform based on uncompensated confiscation and free distribution. The radical land reform in the North compelled the US policymakers as well as South Korean political leaders to embrace some form of land reform to prevent a majority of peasant population

from being attracted to the communist propaganda. The U.S. Military Government initially took a conservative position regarding land reform. However, the USMG switched its position to pursuing a liberal land reform in 1946 and redistributed formerly Japanese-held land in 1948 before the South Korean government was established. Moreover, the U.S. continued to advise the newly formed South Korean government to quickly carry out a liberal land reform. As the Cold War developed, U.S. foreign policy was centered on preventing the spread of communism, and liberal land reform was considered an effective tool to fight communism.

Domestic politics was not favorable for landlords, either. After the liberation from Japanese rule, landlords were on the defensive because of their collaboration with the Japanese colonialism. Peasant movements and leftist political parties were initially strong right after independence, although the U.S. Military Government quickly repressed them. When the elections for South Korea's Constitutional National Assembly in May 1950, the leftists and some nationalists boycotted the elections in opposition to establishing two separate governments in the peninsula. As a result, the landlord-representing Korea Democratic Party became the largest party in the Assembly. However, the KDP turned out to be not effective in representing landlord interests in the legislature.

Article 86 in the Constitution of the Republic of Korea (promulgated on July 17, 1948) stipulated land redistribution." When the initial draft was presented to the plenary of the Assembly, it read, "Farmland shall *in principle* be distributed to farmers." However, the Assembly voted to remove the words "in principle" in spite of opposition from the Korean Democratic Party-affiliated lawmakers (Seo 2007). This indicates that popular support for the "land-to-the-tiller" principle was strong at that time.

Syngman Rhee forged a conservative coalition with the KDP and was elected president by the National Assembly. However, President Rhee began to distance himself from the KDP and surprisingly appointed Cho Bong-am, a former communist, as Minister of Agriculture. Although the KDP attempted to increase the compensation to 300 percent, the assembly passed the land reform bill with 150 percent of compensation. When President Rhee signed it into law on 10 March 1950, he urged the administrators to quickly implement the redistribution of lands so that the tenants might know they would be farming their own lands immediately. One of his hidden motives might have been to weaken his main opposition, the landlord-dominated KDP, in the upcoming 30 May elections (Kim 1995). President Rhee was also motivated for land reform to prevent communism by removing an effective propaganda mechanism of the Communist North Korea: its land reform. When the implementation of land redistribution resumed after several months of interruption due to the Korean War, Rhee told Yoon Young-sun, then Minister of Agriculture, to complete the

land reform as soon as possible “if you want to prevail over communism” (Kim 2009).

Civil service reform (1950s-1990s)

Previous developmental state literature credited Park Chung-hee, who ruled the country for 18 years after the military coup of 1961, for establishing a meritocratic and autonomous bureaucracy, overhauling the patronage-ridden bureaucracy of the Syngman Rhee period (Kim 1987; Evans 1995; Cheng, Haggard and Kang 1998). However, my own research shows that meritocracy developed gradually over time and that the short-lived Chang Myon government (1960-61) made no less important contribution than Park did (You 2014b, 2015: 149-157).

Previous studies focused on the proportion of special appointments vs. appointments through competitive civil service examination for higher entry-level positions (Grade III-B level). Byung-kook Kim (1987: 101) argued that the proportion of higher entry-level positions filled with higher civil service examinees “quintupled” from 4.1 percent to 20.6 percent between the Rhee period and Park period, and his study has been repeatedly cited by other scholars. Since internal promotions represented 65.3 percent and 68.5 percent of Grade III-B appointments during the Rhee and Park periods, this implies that the proportion of *Haengsi* recruits among the new recruits increased from 11.8 percent under Rhee to 65.4 percent under Park. However, his comparison was based on the average for the whole Rhee period (1948-60) and the average for the last three years of Park’s rule (1977-79). This is misleading because there were large differences between the first few years of new bureaucracy building and the later years of Rhee period as well as between the earlier years and later years of Park period.

As Table 2 shows, the proportion of meritocratic recruitment through competitive civil service examination for higher entry-level positions (Grade III-B level) increased from 4.7 percent during the first few years of new bureaucracy building (1948-1952) to 48.3 percent during the later years of Rhee period (1953-1959). The proportion actually dropped slightly to 35.6-38.3 percent in the early period of Park Chung-hee (1964-1965), but it increased again to 55.0 percent (1966-73) and to 65.2 percent in the last three years of his presidency (1977-1979). It further increased to 70.4 percent after the democratic transition (1988-1995). This is contradictory to the myth that Park established a meritocratic bureaucracy early during his rule. The fall in the proportion of recruitment through competitive civil service examination for Grade III-B during the early years of Park’s regime reflects a sizable number of appointments given to ex-military members. While the military junta criticized the special recruitment practices during the Rhee and Chang administrations, they

employed the same practices. The Park regime seems to have compromised the principle of meritocracy in order to secure the loyalty of the military by rewarding them with bureaucratic posts and to control the bureaucracy through military-turned-bureaucrats. The practice of appointing ex-military members to bureaucratic posts continued under another military dictator Chun Doo-hwan (1980-87) until it was abolished in 1988 after the democratic transition (Bark 1998; Ju and Kim 2006: 262). Thus, Park compromised the meritocratic principle with favoritism because he was simultaneously concerned about the professionalization of the bureaucracy and about securing the loyalty of bureaucrats (Ha and Kang 2011).

Table 2. Modes of new recruitment at the Grade III-B level, 1948-1995

Period	<i>Haengsi</i> *	Special
1948-52	4.7	95.3
1953-59	48.3	51.7
1964	38.3	61.7
1965	35.6	64.4
1966-73	55.0	45.0
1977-79	65.2	34.8
1980-87	64.6	35.4
1988-95	70.4	29.6

Note: *Haengsi* refers to higher civil service examination for the higher entry-level (Grade III-B) positions.

Source: You (2015: 150).

As another piece of evidence for Park's creation of a meritocratic bureaucracy, Kim (1987: 101-2) noted that higher ranks above Grade III-B were filled primarily on the basis of "special appointments" under Rhee but primarily through "internal promotion" under Park. Again his comparison is between the whole period of Rhee (1948-1960) and the late period of Park (1977-1979). This is problematic, because in the early years of new state-building, it would have been impossible to fill most of the higher positions through internal promotion, as such promotions require several years of internal experience. While the average proportions of internal promotions for Grade II (director general) and Grade III-A (director) during the whole period of Rhee (1948-60) were 47.1 percent and 60.2 percent, the same proportions in 1960 were 78.9 percent and 79.6 percent (Bark 1961: 206; Kang 2002: 70-71). These proportions further increased to 93.2 percent and 91.9 percent by 1977-1979 (Kim 1987: 101). If we interpret the increase of internal promotion and reduction of special appointments at higher levels of bureaucracy as improvement in meritocracy,

this improvement was made gradually over time. A large part of the increase in internal promotion might simply reflect the maturity of the bureaucracy, or the existence of an increased number of bureaucrats who have served for at least a minimum required number of years to be eligible for internal promotion (Kang 2002: 69-71).

In fact, a more important indicator for development of meritocratic bureaucracy can be found in the recruitment of the lower entry-level officials (Grade V-B). A significant development in this regard took place after the Student Revolution; civil service examinations for Grade V-B were first administered in 1960 by the short-lived democratic government led by Prime Minister Chang Myon (1960-1961). It was important to recruit a large number of lower-level civil servants at Grade V-B through open and competitive examination, considering that a large number of those who entered the civil service at the lowest level were promoted in a relatively short time during the 1950s and 1960s. Table 3 presents the numbers of successful applicants in civil service exams at Grades III-B, IV-B, and V-B, from 1949-1980. The table underscores the importance of introducing the civil service examination for Grade V-B. Until 1959, civil service examinations were restricted to the recruitment of a small number of highly coveted elite bureaucrats at Grades III-B and IV-B. Starting in 1960 after the Student Revolution, civil service examinations became widely accessible to thousands of youths every year, opening up the wide road to the bureaucracy.

Table 3. Number of successful applicants in civil service exams, 1949-1980.

Year	Grade III-B	Grade IV-B	Grade V-B	Year	Grade III-B	Grade IV-B	Grade V-B
1949	5	32		1965	28	1033	6372
1950				1966	50	193	3418
1951	38	38		1967	24	214	10391
1952	16	61		1968	45	664	4673
1953	33	44		1969	55	509	3878
1954	13	87		1970	65	24	2863
1955	58	61		1971	188	58	2359
1956	11	56		1972	88	100	771
1957	7	18		1973	212		2037
1958	27	44		1974	115	205	4120
1959	36	54		1975	201	154	2723
1960	20	106	2066	1976	73	446	4651
1961	72	107	1643	1977	186	531	3975
1962	38	57	2413	1978	250	693	3992
1963	39	236	5535	1979	248	551	1365
1964	24	121	3014	1980	187	395	1473

Source: You(2015: 156).

The above discussion suggests that too much credit has been given to Park by previous developmental state literature with regard to the establishment of meritocratic bureaucracy in Korea. The overall picture displays the gradual development of meritocracy during the later years of Rhee (1953-60), democratic Chang (1960-61), Park (1961-79), and post-Park periods. Meritocracy further developed after the democratic transition in 1987. The special recruitment system for the ex-military officers was abolished in 1988, and the proportion of civil service exam recruits at the Grade III-B level surpassed 70 percent (See Table 2). In addition, a series of reforms were implemented to advance professional bureaucracy. Some of these reforms included the assurance of political neutrality, the legalization of public unions, and the introduction of parliamentary hearings for the appointment of ministers. (Ju and Kim 2006).

Then, what made it possible for South Korea to develop meritocracy over time? Some scholars emphasized the influence of a Confucian tradition of bureaucracy in Korea (Cumings 1984; Evans 1995; Kim 1987; Lie 1998; Woo-Cumings 1995). In Korea, competitive examination for civil servant recruitment was first introduced in 958 during the Koryo Dynasty (918-1392). Chosun Dynasty (1392-1910) further developed the civil service examinations. In the late Chosun period, however, sale of offices and various types of cheating in civil service examinations became increasingly common (Lee 2000). Thus, there were fluctuations in the use of competitive civil service examinations in Korean history. The Confucian-bureaucratic tradition cannot sufficiently explain the development of meritocracy in Korea, although it might have been one of the enabling factors.

Some scholars have also mentioned the positive effect of Japanese colonial bureaucracy. It is notable that the positive influence of the Japanese legacy, if any, was limited in Korea, because few Koreans had occupied high-level positions in the colonial bureaucracy. In addition, former Japanese colonial bureaucrats had a negative influence on the development of meritocracy because they did not want rapid expansion of meritocratic recruitment through civil service examinations, as this could reduce their opportunities for promotion and even threaten their positions (Bark 1966; Lee 1968).¹

My own research suggests that rapid expansion of education increased pressures for meritocratic recruitment. During the 1950s and 1960s, the pressures for meritocracy came mainly from university students and professors. They often complained about the small number of recruits through competitive civil service examinations (You 2015: 156-7, 166-7). As the number of college graduates increased, it became increasingly difficult for them to find jobs

¹ Author's interview with an old retired bureaucrat corroborates this argument.

because the private sector jobs were neither plenty and nor very attractive and the number of public sector jobs open to competitive examinations was too small to absorb them. The April Student Revolution of 1960 further increased pressure for expansion of civil service examinations. Thus, the Chang Myon government (1960-1961) first administered civil service examination for Grade V-B (lowest level) to absorb the students (Lee 1996: 111-12). The military junta who seized the power by overthrowing the legitimate government could not ignore the students' demand for meritocracy. So the Park regime not only continued the civil service examinations for Grade V-B but implemented reforms to professionalize civil service that had been planned by the Chang Myon government.

It is also notable that land reform indirectly contributed to the development of a meritocratic bureaucracy by helping to rapidly expand education, particularly college education, and correspondingly increase the pressures for democracy and fairness. In particular, opportunities for higher education were no longer restricted to upper classes unlike in the colonial period. Hence, the expansion of higher education helped to institutionalize meritocracy as a norm. In addition, land reform dissolved the landed elite and thereby helped to avoid bureaucratic penetration from the powerful elite, which was often found in societies dominated by the landed elite (Ziblatt 2009). Land reform also opened space for state autonomy by insulating the bureaucracy from powerful societal interests (Amsden 1989; Cumings 1984; Evans 1995; Lie 1998; Rodrik 1995).

The gradual improvement in meritocracy in bureaucratic recruitment and promotion helped to spread the norms of impartiality and universalism in the bureaucracy. Thus, bureaucratic corruption declined over time in Korea with the development of a meritocratic bureaucracy. The ratio of public officials indicted for corruption to public officials indicted for any crime has steadily declined from 36.8% in the 1950s, under President Rhee, to 17.2% in the 1960s and 16.1% in the 1970s under President Park, to 14.3% in the early 1980s under President Chun, and to 3.6% in the 2000s, under President Roh Moo-hyun (See Appendix Table A4). In the 1950s, if a public official were indicted, the probability that the cause for indictment was a charge of corruption would have been more than one in three. If a public official were indicted in the early 1980s, the probability of his or her having been accused of corruption would have been around one in seven. In the 2000s, that probability would be only one in thirty. It is notable that the development of meritocracy and the reduction in the relative frequency of bureaucrats prosecuted for corruption are highly correlated. The improvement in bureaucratic corruption has occurred gradually over time, in tandem with the gradual improvement in meritocracy.

Democratization (1960, 1987)

South Korea's constitution introduced democratic institutions, and it was an electoral democracy from 1948-1961 and 1963-1972. However, South Korea was not really a liberal democracy until the democratic transition of 1987, except for the one-year period after the April 19 Student Revolution of 1960. Basic rights as well as universal suffrage were granted by the 1948 constitution, but Koreans were not yet prepared to exert their political rights and civil liberties.

Syngman Rhee was elected as the first president of Republic of Korea by the National Assembly in 1948. President Rhee became increasingly authoritarian over his twelve-year presidency (1948–60). The Rhee regime did not hesitate to suppress opposition and manipulate elections to perpetuate his rule. The National Security Law, enacted in 1948, made both communism and recognition of North Korea as a political entity illegal and was used to suppress and persecute dissidents and left-leaning political leaders and groups. When Rhee faced opposition from a majority of members of the parliament and his chance of being reelected as president by the parliament became thin, he amended the constitution to introduce direct presidential election in 1952. He successfully mobilized state terror and threats by imposing martial law to force the members of the parliament to agree to the constitutional amendment. President Rhee engineered another constitutional amendment in an irregular way to remove the presidential term limit for the first president of the Republic.²

Rhee's Liberal Party was essentially nothing more than his personal networks (Lee 1968: 71–6; Lie 1998: 35). The Liberal Party did not have any class base, while the leading opposition, the Democratic Party, had as its initial base the landed class. Since the landed class was dissolved after the land reform, the political competition grew oriented toward personal appeals of leaders and distribution of patronage. Vote buying practices became widespread and fraudulent vote counting was common. Thus, the formally open access political system did not in fact guarantee open access and competition in political affairs.

The people's demand for democracy increased over time from 1960 to 1987. Expansion of education produced anti-authoritarian forces among students and intellectuals. Industrialization and economic growth expanded the middle class and working class, and their voices and organizations grew. Student demonstrations in protest of massive election fraud during the 1960 presidential election escalated into the April 19th Student Revolution of 1960, leading to the resignation of Syngman Rhee as president. The democratic period did not last long, however, as the military junta led by General Park Chung-hee overthrew

² The amendment motion failed to pass the National Assembly, one vote short of the two-thirds supermajority required for constitutional amendment. The next day, however, the Speaker of the Assembly declared that the motion had passed by rounding off the decimal point for the calculation of two thirds.

the Chang Myeon government (1960–1) in May 1961. Although prodemocracy forces were growing, they were too weak then to contend with the military.

Park Chung-hee and Chun Doo-hwan ruled Korea formally as civilian presidents for most of the time, but they filled the bulk of the ruling party leadership and the bureaucracy with those from the military. Since the military junta promised to transfer power to a civilian government, largely due to U.S. pressures, they had to prepare Park's running for presidential election. Kim Jong-pil, Park's nephew and a core member of the military coup, established the Korean Central Intelligence Agency, which became notorious for its persecution of dissidents and violations of human rights. He then created the Democratic Republican Party, using the organizational base of the KCIA. The core leadership and the staff of the KCIA as well as the DRP came from the military. The DRP's major platforms included economic development and anticommunism. It did not have any class base, and the military officers that constituted the leadership of the DRP were from humble social backgrounds. Over time, however, the DRP forged an alliance with the *chaebols*. Park had to dispense patronage to military officers not only to utilize their loyalty for governing but also to prevent any revolt from within the military.

Park won the 1963 presidential election, but only with a razor-thin margin in spite of huge operations by the DRP and the bureaucratic apparatus. The 1971 presidential election, in which Kim Dae-jung ran against him as the main opposition candidate, was also close. There were speculations that Park might have lost the 1963 and 1971 elections without large-scale vote buying and vote counting fraud. As Park found no constitutional path beyond his third term, he declared martial law, disbanded the National Assembly, and junked the existing constitution in the name of *Yushin* (reformation) in October 1972. The *Yushin* Constitution abolished direct presidential election, effectively guaranteeing him a life-long presidency. It also gave him the authority to appoint a third of the National Assembly members, guaranteeing an absolute majority to the ruling DRP. Park issued many emergency measures to suppress criticism of the *Yushin* Constitution and his dictatorship. Anticommunist rhetoric was conveniently used to suppress dissidents. The National Security Law was frequently abused to persecute dissidents, and the Korean CIA and police were used to suppress antigovernment activities.

The anti-dictatorship student movement continued to grow in spite of harsh suppression, and the popular support for the authoritarian Park regime declined. The major opposition New Democratic Party won the most votes in the 1978 general National Assembly elections, although Park's DRP still maintained a large majority in the National Assembly because of its advantage from the electoral system. After Park's assassination by KCIA chief Kim Jae-kyu in 1979, there was another short period of democratic opening, called the "spring of Seoul." However, the military junta led by General Chun Doo-hwan seized power

through a two-stage coup and bloody suppression of the Kwangju democratization movement in 1980. After a short period of direct military rule, Chun became a civilian president through uncontested indirect election. It was not easy, however, to contain the ever-growing student and labor movements, particularly as student and labor groups became increasingly radical and militant. While student movements used largely peaceful tactics before the Kwangju democratization movement, they more frequently utilized violent tactics such as the use of Molotov cocktails in the 1980s.

When hundreds of thousands of citizens, including students, blue-collar workers, and new middle-class white-collar workers, came out to the streets of Seoul and all over the country in 1987, President Chun had to surrender to their key demands for democracy, including direct presidential election. President Chun considered using military force to suppress the demonstrations, but apparently he could not risk committing another massacre like the one that occurred during the violent suppression of the Kwangju in 1980. The United States urged Chun to refrain from using military force, perhaps alarmed by the increasing anti-American sentiments among Koreans due to U.S. support of the military crackdown of the Kwangju.

What made democratization movements eventually successful in 1987, while earlier efforts failed? The university students constituted the core of the organized forces for democratization movement, confronting the military-*chaebol* coalition. Starting with the Student Revolution of 1960, college students played a central role in democratization movement throughout the authoritarian period. Growing urban middle class with high education also played an important role, particularly in the large demonstrations demanding direct presidential election in 1987 and also in the post-1987 civil society organizations.

It is also notable that the decreased perceptions of North Korean security threat provided more favorable conditions for democratization than in the earlier period. North Korean threat had been not only a convenient rationale for the Park Chung-hee and Chun Doo-hwan regimes to justify their authoritarian rule but also a primary reason why the United States had backed up military coups and authoritarian regimes in South Korea.

While both the earlier democratic episode (1960-1961) and the spring of Seoul after the assassination of Park Ching-hee in October 1979 were short-lived and interrupted by military interventions, they still had some constraining effects on the authoritarian regimes of Park Chung-hee and Chun Doo-hwan. Both Park and Chun had to demonstrate their efforts to punish corruption as well as their commitment to economic development in order to fill their "legitimacy deficit." They also had to try to respect and accommodate the demands of university students and professors, such as the expansion of civil service examinations and the development of a professional civil service, as far as they are not threatening their regime. However, the authoritarian regimes' reliance on clientelistic strategies has inevitably increased not

only petty electoral corruption but high-level political corruption and collusion between the government and *chaebol* (Schopf 2004).

Democratic consolidation and deepening: Good governance reforms (1988-)

While the first democratic transition in 1960 was quickly followed by Park Chung-hee's coup in 1961 and the second democratic opening in 1979 was suppressed by Chun Doo-hwan's military junta in 1980, the democratic transition of 1987 was more resilient and proceeded toward democratic consolidation and deepening. Democratic consolidation required first and foremost the firm civilian control of the military. Ensuring the rule of law and empowerment of the civil society were also important for consolidation and deepening of democracy. Civil society organizations pushed for governance reforms to embrace ethical universalism, and governments implemented various reforms for transparency and anti-corruption.

During the democratic transition in 1987 the military exercised self-restraint. The experience of Kwangju massacre, which had not only made the popular image of the military extremely negative but encouraged radicalization of student and social movements, must have been an important constraint. President Kim Young-sam (1993–8), the first civilian president after Syngman Rhee, purged a group of politically ambitious military officers. Former presidents Chun Doo-whan and Roh Tae-woo were prosecuted and convicted of treason and corruption in 1996, which sent a strong message to the military that even successful coup leaders could be punished eventually. When the Koreans elected Kim Dae-jung, a long-time opposition leader formerly accused by the authoritarian regimes of being pro-communist or pro-North Korea, as president in 1997, the military did not intervene. This proved the firm establishment of civilian control of the military. There has not been a single attempted coup since the democratic transition.

Democracy also provided checks on arbitrary state violence such as torture, unexplained death, and violent suppression of protests. In parallel, militant social movements declined and lost influence. The rule of law improved as well. In particular, the Constitutional Court played an important role in protecting human rights and property rights.

Democratization facilitated further development of the civil society. Existing organizations that had been tightly controlled by the government gained autonomy. Under authoritarian regimes, not only political organizations and trade unions but also business and professional associations had been tightly controlled by the government. Many social movement organizations and unions that had not been legally recognized obtained freedom to organize. Numerous organizations were newly created in various fields. Many of the NGOs, unions, and professional associations currently active were formed during the first three years of democracy (Mo and

Weingast 2013). It is evident that empowerment of civil society that advocates for universalism has been an important factor for contemporary control of corruption in South Korea.

During the authoritarian period, the policy process was opaque and closed and the strong executive dominated both policy-making and policy-implementing processes with virtually no constraints from the legislature and judiciary. With democratization, policy process became increasingly transparent and open. The power of the legislature and the independence of the judiciary were gradually strengthened both under the first two conservative administrations (1988-1997) and the two liberal/progressive administrations (1998-2007).

During the Kim Young-sam administration (1993-1997), a number of new legislations such as Freedom of Information Act and Administrative Procedures Act contributed to enhancing transparency and openness of the government. In particular, enactment of the Real Name Financial Transaction Act enhanced transparency of financial flows by prohibiting fake-name and borrowed-name accounts. President Kim Dae-jung (1998-2002) implemented far-reaching reforms to increase transparency in both public and corporate sectors. He and President Roh Moo-hyun (2003-2007) implemented a series of reforms to enhance transparency and openness of the government, particularly in terms of e-governance and budget transparency (You and Lee 2013). The country's e-governance systems, including the online procurement system and online public engagement system, are internationally recognized as a model case of good governance (Kalinowski and Kim 2014). Consolidated central government fiscal data, all budget and audit reports approved by the National Assembly and data for each local government are available online. Participatory budgeting was first introduced by some leftist local governments in 2002 and has been diffused throughout the local governments. During the conservative Lee Myung-bak government (2008-2012) there was some regression, such as circumvention of feasibility studies for the controversial Four River Projects (Lee and You 2014). However, South Korea is regarded as one of the top performers in budget transparency in the Asia-Pacific region, according to Open Budget Index (IBP 2012). In the 2012 OBI, the country ranked eighth out of one hundred countries surveyed and second in the Asia-Pacific region behind only New Zealand.

President Kim Young-sam (1993-97) also launched an aggressive anti-corruption campaign in response to public criticism of electoral and political corruption. He declared that he would not receive any money from businesses during his presidency and introduced reforms in party and campaign finance. He introduced mandatory disclosure of personal assets of senior public officials. He also oversaw prosecution of a number of powerful politicians in charges of corruption, which culminated in the prosecution of two former presidents.

The Anti-Corruption Act was enacted in 2001 during Kim Dae-jung administration (1998-2002). The law includes a code of conduct for civil servants. The law provides protection and rewards for whistle-blowers, ensuring the right for government employees to report fraud, corruption, government waste, and various illegal activities within the government. The Act on the Protection of Public Interest Whistleblowers became effective in 2011, which protects whistleblowers in the private sector as well. The Korea Independent Commission Against Corruption (renamed Anti-Corruption and Civil Rights Commission after a merger with the Administrative Appeals Commission and the Ombudsman of Korea in 2008) was created in 2002 according to the law. The independent anti-corruption agency evaluates annually anticorruption activities of government agencies and makes recommendations.

Surprisingly, President Roh Moo-hyun encouraged the prosecution to conduct thorough investigation of illegal campaign funds for both his camp and his opponent's camp for the first time in Korean history. The results were shocking. It was found that several *chaebol* delivered a truckload(s) of cash to the conservative opposition candidate, Lee Hoi-chang. Lee's illegal fundraising totaled 82.3 billion won, while Roh's amounted to 12 billion won. The prosecution of illegal presidential campaign funds had a large impact on the behavior of political parties, politicians, and *chaebol*. The conservative Grand National Party had to strive hard to change its image as the "corrupt party." In addition, there was further reform of political and campaign finance that required more transparent fundraising and expenditures. Thanks to a series of reforms under Kim Young-sam, Kim Dae-jung, and Roh Moo-hyun, *chaebol's* routine practices of annually delivering billions of won to the president seem to have disappeared. Although corporate and political corruption scandals still occur, they are of smaller scales than before.

After the Sewol Ferry accident of March 2014, which revealed the problem of entrenched regulatory capture and corruption, the need for additional anti-corruption laws has been debated. The Act for Banning Illegitimate Solicitations and Gifts was passed in March 2015 to strengthen ethical requirements for public officials by criminalizing receipt of monetary or material benefits of over a million won (about \$1,000) even if it is not a quid pro quo for specific favor. A conflicts-of-interest bill is pending in the National Assembly.

Behind a number of transparency and anti-corruption legislations and programs were civil society actions (You 2003). After the democratic transition of 1987, civil society demands for anti-corruption and transparency grew. NGOs such as Citizens' Coalition for Economic Justice and People's Solidarity for Participatory Democracy have been fighting for broad political, economic and social reforms to promote norms of ethical universalism. Good governance organizations such as Transparency International-Korea have been focusing their work on monitoring political and corporate corruption and advocating for

transparency and openness of the government. These organizations' enduring legislative campaigns for the real-name financial transaction system, freedom of information and Anti-Corruption Act were largely responsible for the enactment of these laws. Prosecution of two former corrupt presidents would not have happened without organized civil society actions, because President Kim Young-sam was initially reluctant to prosecute them.

Civil society groups also played an important role in reducing vote-buying and clientelism and promoting programmatic politics. They established a large coalition of national- and local-level fair election campaigns, monitoring and reporting vote-buying and other irregularities, starting in the 1991 local elections. They created a coalition of anti-money politics in 1996, pressuring the politicians to regulate campaign finance transparently. In 2000 CCEJ released a list of unfit candidates for the upcoming National Assembly elections and subsequently a large scale civil society coalition to demand political parties not to nominate the unfit candidates and to defeat them in the main elections was established. The negative campaign for unfit candidates, most of who had been convicted or accused of corruption, had a significant effect. Political parties did not nominate many on the list. Out of 86 blacklisted candidates who got party nomination or ran as independents, 59 or 69 percent lost their elections. In 2004 National Assembly elections, 129 candidates or 63 percent out of 206 candidates blacklisted by the civil society coalition lost (Kim 2006). The negative campaigns demonstrated the effectiveness of the concerted civil society actions. Political parties had to repeatedly take measures to remove corrupt elements, including the reform of nomination criteria and procedures.

Civil society organizations also played a role in promoting programmatic competition. CCEJ first published a book on 54 reform agenda in 1992, and pressed the presidential candidates to state their positions on the agenda. Real name financial transaction system and Freedom of Information Act were part of the agenda. Many organizations followed suit in subsequent national elections. Although the conservative governments of Lee Myung-bak and Park Geun-hye have been less accommodating civil society demands and increasing suppression of critics and anti-government demonstrations (You 2014a; Haggard and You 2015), the vibrant civil society in the country has been and will likely be an important constraint on the abuse of executive power.

Democratic deepening: Reform of crony capitalism (1998-)

Although sweeping land reform in South Korea dissolved the landlord class and created quite egalitarian socio-economic structures, Park Chung-hee's choice of chaebol-favoring industrial policy increased economic concentration and income inequality over time. When Park Chung-hee launched export-oriented industrialization policy in the 1960s, he initially tried to support the firms according

to objective criteria such as amount of exports. However, his idea of emulating Japanese pre-war conglomerates, or *zaibatsu*,³ coupled with the launch of heavy and chemical industrialization drive led the government to concentrate government favors such as provision of low interest loans and government guarantee of foreign loans on the large *chaebol* that were able to invest in heavy and chemical industries. Initially the government was in control of the *chaebol*. Over time, not only cozy relations developed between the government and the *chaebol*, but the government often found itself it had no option to bail out the troubled *chaebol* at the expense of other economic actors and taxpayers even when the troubles were caused by reckless investments and mismanagement. Also, the authoritarian rulers came to increasingly rely on the *chaebol*'s illicit political contribution to meet the clientelistic resources, further enabling the latter to capture the former. Thus, increasing economic concentration by *chaebol* and business-government collusion became great concerns of the public (Kang 2002).

As the size and power of the *chaebols* grew, the Chun Doo-hwan government (1980–7) began to take measures to promote gradual economic liberalization. The government liberalized imports gradually at U.S. request, but it also began to liberalize financial markets by reducing regulations of nonbank financial institutions, many of which had been controlled by *chaebol* groups. In addition, measures such as the enactment of the Monopoly Regulation and Fair Trade Act were introduced to counter the market power of the *chaebols*, but these measures were not vigorously implemented. Interesting, *chaebols* grew even bigger and concentration increased further as a result of liberalization measures. Combined sales of the top ten *chaebols*, as a percent of GDP, grew from 15.1 percent in 1974 to 32.8 percent in 1979 to 67.4 percent in 1984 (Amsden 1989: 116, 134–7).

Democratization provided both opportunities and constraints for reform of *chaebol*-dominated economy (Kalinowski 2009). On one hand, popular demand for reform of *chaebol*'s abuse of market power and non-market power rose. On the other hand, major political parties and politicians had to rely on *chaebol*'s illicit contributions to meet their need for clientelistic resources. Hence, their political influence grew and the policy-making process was increasingly captured by the *chaebol*. Political and social organizations that could counterbalance *chaebol* influence were not so strong enough. This imbalance of power led to an economic policy more responsive to *chaebols*' demands than to popular demand for *chaebol* reform. The government was unable to contain the *chaebols*' moral hazard, and their incentives to become too big to fail (TBTF) led to overinvestment and overborrowing, including excessive short-term foreign debt. The Kim Young-sam government's (1993–8) reform efforts were stalled. Instead, capital market account liberalization and deregulation of nonbank financial

³ Both the Korean word *chaebol* and the Japanese word *zaibatsu* share the same Chinese characters, 財閥.

institutions (NBFIs) encouraged the *chaebols* to finance their overly ambitious investment through their affiliated NBFIs and international capital markets. Although the Korean economy was growing continuously after democratization, it became vulnerable to the East Asian financial crisis of 1997 after a series of bankruptcies of overleveraged *chaebols*.

The breakthrough came with the financial crisis. The IMF conditionality attached to the bailout loan was a strong external pressure. Newly elected reform-minded president Kim Dae-jung launched the so-called IMF-plus, a comprehensive reform program that went beyond the IMF-mandated reforms. President Kim pursued the “parallel development of democracy and market economy” and declared the end of government–business collusion or crony capitalism (You 2010). Structural reforms were carried out in the financial, corporate, labor, and public sectors along with liberalization of financial markets. The *chaebol* reforms sought to enhance transparency and accountability in corporate governance and accounting practices. Financial reform strengthened the financial safety net and consolidated financial supervisory functions. Also, the government quickly expanded the social safety net such as unemployment insurance, health insurance, a national pension system, and public assistance for the poor.

The sweeping economic reforms of the Kim Dae-jung government increased openness and competition in the economy (Mo-Weingast 2013). With 16 out of 30 largest *chaebol* groups disappearing in the restructuring process, the market discipline was immensely strengthened. There was substantial improvement in transparency and accountability of corporate governance and the protection of minority shareholders. Financial markets have been completely restructured, reducing the scope of rent from bank loans. Many new economic players such as banks, foreign investors, and institutional investors came to act independent from the government and the *chaebols*, weakening the dominance of the *chaebol*. The economic reform weakened the collusive links of government-*chaebol*-banks and increased transparency of *chaebol* management.

Chaebol concentration, which peaked in 1998, declined in the subsequent years. However, the reform was not as thorough as was originally intended because of various resistance tactics and lobbying of the *chaebol* and the effect of reform did not last long. The *chaebol* concentration rose again. The ratio of *chaebol* asset to GDP fell from 90 percent in 1998 to about 50 percent in 2002, but it reached the pre-crisis level by 2010 (Kim 2011). Income inequality increased as well. In particular, the top 1 percent’s income share increased rapidly, surpassing 12 percent in 2011 and continuously rising (Kim and Kim 2014). Also, corporate governance deteriorated again during the business-friendly Lee Myung-bak administration (2008-2012). According to the Asian Corporate Governance Association (2015), South Korea’s corporate governance score declined from 55-58 in 2003-2004 to 45-49 in 2010-2012. In 2012, Korea ranked not only behind Japan, Taiwan, Singapore and Hong Kong, but behind Thailand, Malaysia and India (See

Appendix Table A5). The poor corporate governance in the country indicates that crony capitalism is still alive and well. The recurring corporate and political corruption scandals cast doubt about whether they are isolated cases.

Why, then, was Kim Dae-jung able to implement substantial reform of corporate and financial sectors and why the reform has been regressing recently? Kim Dae-jung was less constrained by *chaebol* influence than his predecessors had been; he was also faced with the grave financial crisis that the public blamed on the *chaebol* and on high-level corruption. In response to this, Kim Dae-jung implemented sweeping reform of *chaebol* and financial institutions; this was the kind of reform which Kim Young-sam was unable to implement. In addition, the timing was right. Because of the grave financial crisis and the humiliating IMF bailout loan, the *chaebol* was on the defensive. People blamed the *chaebol's* excesses and failures for causing the crisis. Civil society organizations that had been pushing for reform of *chaebol* corporate governance gained upper ground. In particular, PSPD organized minority shareholder movement to hold the *chaebol* chairmen and CEOs accountable for minority shareholders (Jang 2001). Thus, Kim government's tacit coalition with the civil society proved powerful enough to overcome *chaebol* resistance for the first couple of years during his administration.

However, the *chaebol* soon regained their political influence and the reform coalition lost power as the worst crisis was over. One important reason for the weakening of the reform coalition was the alienation and weakening of the organized labor. Kim administration's IMF-plus reform package included measures for labor market flexibility, which eventually led to a breakdown of the Tripartite Commission that President Kim had formed to push for the comprehensive reform program. On the other hand, the top *chaebol* groups such as Samsung, Hyundai and LG that survived the crisis became even more dominant players in the market and their political influence was strengthened. It is commonly believed that Hyundai and Samsung each had close ties with the Kim Dae-jung and Roh Moo-hyun administrations. Moreover, when Lee Myung-bak, former CEO of a Hyundai company, became the president of the country in 2008, Lee administration almost became a *chaebol* republic. Not surprising, Lee administration retreated from some of the important reforms of the previous governments, loosening the regulations on *chaebol* corporate governance and *chaebol* domination of the financial sector and providing tax cuts to the *chaebol* and the wealthy.

During the 2012 legislative elections and presidential election all the major parties and major presidential candidates pledged to introduce significant reform of *chaebol* in the name of "economic democracy." Into the third year in her presidency, however, President Park Geun-hye and her ruling Saenuri Party have failed to make any significant progress in this regard. It is yet to be seen if South Korea will be able to implement significant reform for *economic democracy*

in the near future or fall into a *captured democracy*, using Acemoglu and Robinson' (2008) term.

Conclusion

During the second half of the twentieth century, South Korea transformed itself from a poor and corrupt country into a rich and democratic country with relatively good governance. South Korea is regarded as one of the three East Asian countries that have completed (Japan) or moved far along the transition to an "open access order" (South Korea and Taiwan), in which governance of the polity and economy is based on equality and impartiality, or norms of ethical universalism (North et al. 2009). The process tracing of the transition, albeit incomplete and even fragile, indicates that the transformation of governance norms was not just a byproduct of economic development but took place in a broader context of changes in the political economy of the country.

In particular, I have identified five critical reforms: (1) the radical land reform that took place in two stages in 1948 and 1950, which dissolved the landed elite and produced favorable conditions for state autonomy as well as rapid expansion of education; (2) the gradual process of civil service reform during the Syngman Rhee government (1948-60), short-lived democratic Chang Myeon government (1960-61), Park Chung-hee regime (1961-79), and post-democratic transition period (1988-), which improved meritocracy in bureaucracy and thereby reduced bureaucratic corruption; (3) democratization (1960, 1987), which required long struggles of the civil society led by student movement and supported by the growing middle class and working class; (4) good governance reforms to enhance transparency and to control corruption, particularly under presidents Kim Young-sam (1993-97), Kim Dae-jung (1998-2002) and Roh Moo-hyun (2003-07); (5) reform of the corporate and financial sectors by Kim Dae-jung administration in the aftermath of the financial crisis of 1997, which aimed at ending crony capitalism and enhancing transparency of *chaebol* governance and market competition.

None of these reforms just happened naturally or was simply given by a benevolent dictator. Each reform was achieved at least partly by the struggle of the civil society and in turn helped to empower the civil society. The historical experiences of South Korea show the importance of both structural conditions and human agency. However, even the favorable structural conditions such as the dissolution of the landed elite and egalitarian socio-economic structure were not given naturally. There was a critical role of human agency, or the capacity of politicians and civil society actors to overcome the collective action problem.

However, South Korea's recent records in corruption and corporate governance as well as some backsliding in freedom of speech and civil liberties raise concerns about the possibility of reverting back to a "limited access order", or governance based on particularism. South Korea's vibrant civil society provides an optimistic ground for the prospect of eventual completion of transition to an open access order with ethical universalism, but there is some uncertainty about whether the country will move forward.

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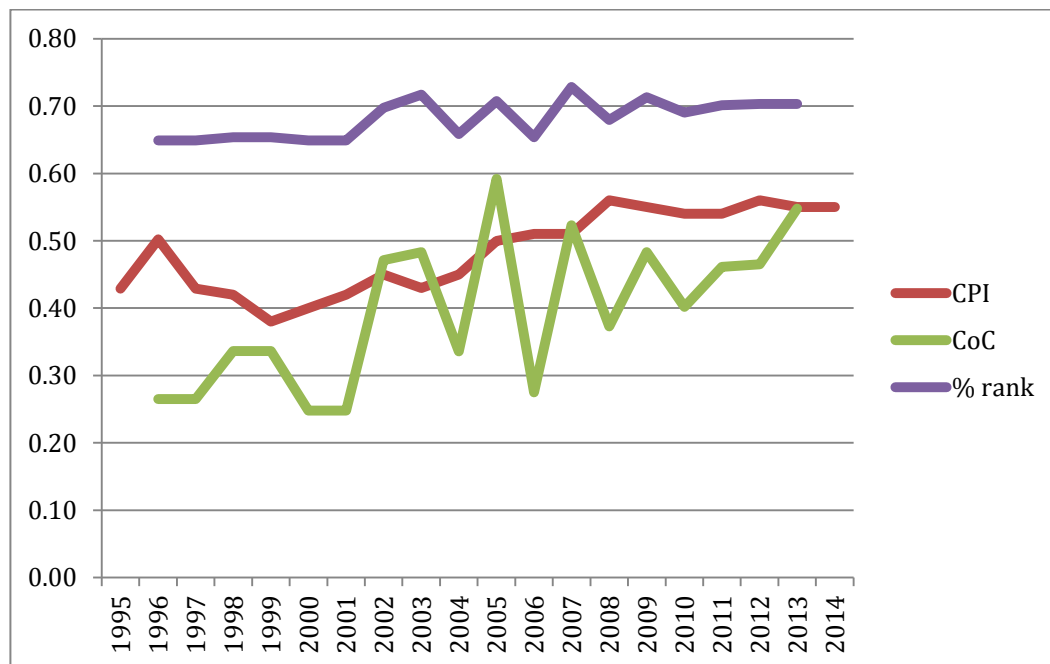
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Appendix: Various Indicators of Corruption Control in South Korea

Figure A1. The trends of CPI and Control of Corruption in Korea, 1995-2014



Note: CPI score used to range between 0 (most corrupt) and 10 (least corrupt), and the scale has changed to between 0 and 100 in 2014. I have normalized the CPI scores so that it may range between 0 and 1. Control of Corruption score has a standardized normal distribution, with the mean of 0 and standard deviation of 1.

Sources: Transparency International (<http://www.transparency.org/>), Worldwide Governance Indicators (<http://info.worldbank.org/governance/wgi/index.asp>).

Table A1. Percentage of people whose family members have bribed during the last 12 months

Country	2004	2005	2006	2007	2008/09	2010	2013	Average
Japan	1	0	3	1	1	8.9	1	2.3
South Korea	6	4	2	1	2	2.4	3	2.9
Hong Kong	1	0	6	3	7	5.2		3.7
Singapore	1	4	1		5	8.8		4.0
Malaysia	3	6	3	6	8	9.1	3	5.4
China						9.3		9.3
Taiwan	1	3	2			7.1	36	9.8
Philippines	21	9	16	32	11	16.1	12	16.7
India	16	12	12	25	8	54.2	54	25.9
Mongolia					28	47.6	45	40.2
Cambodia		36		72	47	84.0	57	59.2

Source: TI, Global Corruption Barometer Survey (various years), <http://www.transparency.org/>

Table A2. The trends of bureaucratic corruption and vote-buying in South Korea

	1992	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Perceived corruption	58						39						24	
Disciplined for bribery	16.1	12.7	17.5	16.0	15.7	14.6	10.6	11.6	8.2	11.0	8.0	5.3	5.3	3.8
Bribery (citizens)					7.9	6.7	7.1	5.7	1.8	1.1	1.1	0.8	0.7	0.3
Bribery (business)						25.0	16.2			13.8	11.6	6.6	7.4	4.8
Vote-buying (NA)	18.2	14.7				12.4				2.9				1.4
Vote-buying(Presidential)	11.7		2.9					7.0					2.1	

* *Notes:* 1) “Perceived corruption” denotes the percentage of people who think most public officials are corrupt, according to surveys conducted by the Korea Institute for Public Administration (Jang 2008).

2) “Disciplined for bribery” denotes the percentage of civil servants who were given disciplinary actions because of bribery out of the total civil servants disciplined for any reasons (MPAS, various years).

3) “Bribery (citizens)” denotes the percentage of the citizens who have bribed out of those who have contacted public official(s) at the Seoul Metropolitan Government during the last year, according to surveys commissioned by the SMG (various years).

4) “Bribery (business)” denotes the percentage of the business people who have bribed public official(s) during the last year, according to surveys conducted by the Korea Institute for Public Administration (Jang 2008).

5) Vote-buying (NA) and Vote-buying (Presidential) denote the percentage of people who have experienced some type of vote-buying during the National Assembly and Presidential elections, according to post-election surveys (National Election Management Commission, various years)

Table A3. Percentage of businessmen who cite corruption as the biggest problem for doing business

Country	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Japan	1	0	1	1.8	1.1	0.7	0.2	0.1	0.1	0.3	0.2	0.0
Singapore	0	0	0	0.3	0.3	0.1	0.8	0.1	0.3	0.3	0.0	0.1
Taiwan	3	3	2	3.6	3.2	3.2	0.9	2.6	0.5	0.5	0.9	1.4
Hong Kong	4	4	5	1.6	2.3	1.6	2.5	3.4	0.7	0.5	2.0	1.8
Korea	6	5	8	4.6	4.0	4.7	5.9	5.9	5.6	4.5	7.1	4.3
India	16	16	14	10.5	11.9	10.1	11.0	17.3	16.7	15.8	17.3	8.0
China	11	15	13	12.0	11.6	7.4	7.4	9.5	8.5	9.2	10.1	12.4
Indonesia	17	19	11	4.6	4.2	10.7	8.7	16.0	15.4	14.2	19.3	15.7
Malaysia	4	12	8	8.0	9.0	14.5	10.4	8.0	9.6	12.7	14.4	17.0
Philippines	22	22	23	21.5	22.3	23.9	24.3	22.7	24.4	19.3	17.8	17.6
Thailand	17	15	13	14.7	10.8	10.3	11.0	11.4	14.5	16.7	20.2	21.4

Source: You (2015: 52).

Table A4. The trend of bureaucratic corruption in South Korea

	Bribery	Embezzle	Sum	Ratio A*	Ratio B**
Rhee (48-60)***	60	152	211	36.8%	0.20%
Park (61-72)****	73	157	230	17.2%	0.12%
Park (73-79)	120	72	192	16.1%	0.06%
Chun (80-87)	116	43	159	14.3%	0.04%
Roh TW(88-92)	82	25	107	5.4%	0.02%
Kim YS(93-97)	319	111	430	5.1%	0.04%
Kim DJ(98-02)	350	86	436	5.4%	0.04%
Roh MH(03-07)	141	60	200	3.6%	0.02%

Notes: "Bribery" and "Embezzle" denotes average annual number of public officials indicted for bribery and embezzlement, respectively.

"Sum" denotes sum of "Bribery" and "Embezzle."

*Ratio A: Ratio of # public officials indicted for corruption to # public officials indicted for any crime

**Ratio B: Ratio of # public officials indicted for corruption to # of people (officials plus civilians) indicted for any crime

*** Data available for 1954 and 1957 only

**** Data available for 1964 and 1966-72 only

Source: You (2015a: 170).

Table A5. Corporate Governance in Asian countries, 2003-2012

Country	2003	2004	2005	2007	2010	2012
Singapore	77	75	70	65	67	69
Hong Kong	73	67	69	67	65	66
Thailand	46	53	50	47	55	58
Japan				52	57	55
Malaysia	55	60	56	49	52	55
Taiwan	58	55	52	54	55	53
India	66	62	61	56	48	51
Korea	55	58	50	49	45	49
China	43	48	44	45	49	45
Philippines	37	50	46	41	37	41
Indonesia	32	40	37	37	40	37
(Korea's rank out of 10)	5	5	6	5	8	7
(Korea's rank out of 11, including Japan)				6	9	8

Source: Asian Corporate Governance Association