

Crony Capitalism: Corruption and Development in South Korea and the Philippines. *By David C. Kang.* New York: Cambridge University Press, 2002. Index, notes, figures, and tables. Cloth, \$60.00. ISBN 0-521-80817-0.

Reviewed by Dennis McNamara

Although South Korea and the Philippines struggled with “money politics” in the 1960s and 1970s, the economy flourished in Korea but failed to develop in the Philippines. David C. Kang unravels the mystery of this disparity in *Crony Capitalism*, a “political story” about both countries in which politics dominates policy and politicians rule technocrats. A coherent “mutual hostage” state in Korea under Chunghee Park (1961–79) stands in contrast to the rent-seeking, fractured government of the Philippines under Marcos.

A balance of power between state and business in Korea reduced transaction costs, while “bandwagon” politics in the Philippines raised costs (p. 11). Moving beyond labels like “autonomous,” “smart,” or “embedded” to describe the Korean state, Kang argues that opportunism and exploitation in Korea have been mutually constrained by the close ties between a small set of government and business elites since 1961, resulting in a “hostage state.”

His initial chapter takes up the theme of coherent versus fractured states, thus establishing the ground for his central theme: mutual hostages in Korea versus chaotic politics or rent-seeking in the Philippines. The background material on colonial legacies and comparative bureaucracies in two early chapters may prove more valuable for business historians. In the second chapter he highlights the two nations’ remarkable similarities in education, manufactured exports, and savings as well as pointing out their differences in investment as a percentage of gross domestic product. He goes on to argue for similarities in the bureaucratic strengths of the two nations and takes issue with the conventional view that the bureaucracies of Syngman Rhee (1948–60) and Park in South Korea were dissimilar.

Chapters Four and Five on money politics from 1960 to the mid-1980s in the two nations represent the core of this book. Interviews support data drawn from English-language secondary sources and some Korean-language materials. The political direction of Korean bureaucratic oversight of the *chaebol* (family-owned conglomerates) is illustrated by brief case studies of the auto and other industries. I was surprised to find crony politics better described in Chapter Five on the Philippines, where the author probes the winners and losers, the principals, and the hangers-on in search of spoils. The instability of property rights coincided with a lack of continuity in the changing roster of elites. In Chapter Six, he discusses recent democratization and

the financial crisis of 1997, mainly to show changes in the balance of power between state and business elites in the two nations and to apply his thesis to more recent events. A brief concluding chapter returns to the question of corruption and development and supplies brief comparisons with other Asian nations.

Crony Capitalism has much to offer to historians, comparatists, and especially students and scholars of South Korea. Historians will find an intriguing discussion of property rights in the colonial history of both nations, pertinent to their subsequent development strategies. Bureaucratic development through the 1950s is nicely summarized. Comparatists will find a cogent, clearly focused argument and theoretical insight that give direction to the complex histories of two very different nations. But the significance of the volume emerges in the argument for the Korean mutual hostage state and in the author's reinterpretation of the role of the Korean business community. No longer the junior partner, or the "class without hegemony," the business class in Korea wields considerable clout, mainly due to a lack of moral hazard stemming from state guarantees insulating investors from market risk. Although his hypothesis is indeed intriguing and innovative, Chang does not provide much convincing new data. If the book is about the politics of exchange, he does not reveal exactly how favors are traded for bribes. We need to learn more about the process, the main players, and the patterns of the deals. One problem, of course, is politics and the difficulty of tracking political leverage in economic policy.

The study does raise some excellent questions, particularly about the reason for the existence of money politics. Kang points to "the imposition of similar democratic institutions on top of a society in turmoil" (p. 145). In order to understand the origins of crony politics, we are left with the task of identifying both the kinds of disorganization and the leading group players during the chaotic postindependence decades in both nations. An equally important challenge is discovering why a vibrant civil society subsequently emerged in the Philippines in contrast to the state of repression that took hold in South Korea.

I am particularly intrigued by the author's insights into the role of property rights as a legacy of the colonial experience. The contrasting precedents and the prospects for the rule of law in both nations appear particularly significant for the comparative study of development. My own study of development and corruption, *Market and Society in Korea*, offers a very different interpretation of events in that country but likewise emphasizes the role of law.

One might also ask whether the existence of crony politics is best explained by domestic politics or geopolitics and if it is possible to single out the effects of one on the other. Kang tries to answer this question by looking at foreign aid and external threat in the two nations. He examines international market relations mainly in the light of recent crises. How can we assess

the relative influence of the demands for domestic and external security on the political economies of both nations?

Crony Capitalism is a valuable contribution to the growing literature on the state's role in development and on the business-state relation in Korea's economy. It is among the first substantive comparative studies of Korea and another nation within Southeast Asia; the growth of trade and cultural exchanges in the region makes this particularly timely. Finally, it provides a cogent theoretical framework for traversing the difficult terrain of corruption in two very different Asian nations.

Dennis McNamara is the Park Professor of Sociology and Korean Studies at Georgetown University. He has just published Market and Society in Korea: Institution, Interest, and the Textile Industry, a study of interest exchange in Korea's textile industry between state, business, and labor after 1945. Market and Society is the final piece of a three-volume study on the development of capitalism in Korea after the late nineteenth century. He is currently a Fulbright Scholar in Tokyo and Seoul and is working on a new study on security and society in the region.