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*The Corporate
Takeover of
Economic
Discourse in
Korea*

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Introduction.

This piece illustrates how chaebols, a type of conglomerate particular to South Korea, have enhanced their influence over government policy via their growing control over multiple forms of public economic discourse. In this case, chaebols have deployed their significant economic resources to strategically dominate both public media and state-generated policy debates about the economy. Their success in this area of public culture has meant that chaebols have a greater say over economic policy than the state itself which, in turn, has contributed to a significant undermining of the democratic process.

The Role of Chaebols in Korean Economic Growth

Chaebols, such as Samsung, Hyundai and LG, are a specific type of conglomerate, most commonly associated with Korea. They developed during the country's period of 'condensed economic growth'. In most of the literature, Korean chaebols are defined by three distinctive characteristics: corporate governance (family ownership and control); market position (monopolistic or oligopolistic); and organizational structure (business groups with multiple ownership and managerial links). These characteristics are very similar to those of the zaibatsu before the defeat of the Japanese empire in 1945.

Chaebols emerged and evolved when the Korean economy surged forward from the mid-1960s onwards. This period of rapid economic growth coincided with a massive consolidation of capital by the chaebols, working in tandem with the government as it pursued a state-driven developmental model. In fact, Amsden (1989) attributed the impressive achievements of the Korean model to this evolving state-chaebol partnership. Initially, in this partnership, the state took the initiative by harnessing institutional support and economic discipline.

But by the late 1970s this state-driven developmental model was reaching its limits. It became increasingly clear that the state no longer dared to orchestrate everything. A new paradigm was evolving to prolong economic development. It was economic globalization, motivated by the 'boundless dynamics of capitalism' (Coals 2005:73), that supplied the new 'frame of reference' (Said 2003) for this paradigm shift. Liberalism, resuscitated in the face of the 'structural crisis of capitalism' (i.e. the falling rate of profit) in the 1970s (Campbell 2005:189), has since appropriated globalization as a means for expanding capitalist activities unchecked across national boundaries. Both transnational corporations (TNCs) and global financial capital have played a pivotal role in making 'the capitalist global system the dominant global system' (Sklair 2002: 7).

Neoliberal ideas and neoliberal policy regimes were voluntarily adopted by the Korean State and chaebols, replacing the economic ideas of developmental era. Consequently, the decade-long partnership between the state and the chaebols started to change with the state no longer acting as the dominant partner.

The chaebols, consistent with their nature as capitalist, monopoly-seeking entities, have pursued freedom and expansion in the course of the neoliberal transformation of Korean society. Once established, they aspired towards greater freedom from state regulation, a

restructuring of labour-capital relations, and the marketization of multiple areas of society. Since the early 1980s, they have demanded that the government ease financial regulations so they could access cheaper international sources of capital. By the mid-1990s, through a combination of acquisitions and enhanced access to global capital, they had gained considerable financial autonomy. At this point they began publicly demanding that the state retreat from the economic sphere (Ha Y-S 2003:10).

The Korean economic crisis in 1997 was a direct consequence of state withdrawal from economic coordination. This included a rapid relaxation of cross-border capital movement controls and the abolition of industrial policy, both without establishing state regulatory systems. Furthermore, the general turn towards neoliberal restructuring (based on IMF programmes) of the Korean economy, following the 1997 economic crisis, has accelerated the ascendancy of capital over state

Chaebol Economic Influence Based on Growing News and Information Dominance

The chaebols, with their extensive links to umbrella associations, in-house think-tanks and extensive social networks, constitute a most influential site of discursive power in contemporary Korean society. The contrasting corporate discourses promoted by chaebols set them apart from their conglomerate counterparts in Western economies. On the one hand, they are fairly modern economic institutions, publicly-listed transnational companies producing world-class goods and services. On the other hand, they have an oddly pre-modern corporate governance system, which is the legacy of small, start-up family businesses, strongly controlled by the family members of all-powerful chairman who own tiny proportions of the company's stock. Many of the resources of the chaebols – ideas, personnel and money – have been mobilized in order to consolidate this family dominance. In those organizations, fealty to the chairman is as important as ability when it comes to staff promotions.

Many practices, beliefs, discourses and forms of culture emanate from this peculiar chaebol-centred system and permeate into every corner of Korean society. To create a favourable business environment and to cover over their deficiencies, chaebols deploy extensive resources to manage their political, legal and social environment. They systematically cultivate extensive elite networks of politicians, journalists, lawyers, scholars and artists. They abhor the power of the state, arguing that government regulations suffocate the free market. But their relentless request for deregulation, in effect, also reflects their desire to prevent state reforms of the archaic chaebol system which, itself, inhibits competition.

The social vision of the chaebols determines that social advancement is only achieved through economic growth. They present themselves simultaneously as locomotives of growth and as part of a national team in the global economic battle. In this, the state is relegated to the role of cheerleader for business activities. The political leanings of the chaebols are highly conservative, mirroring their authoritarian organizational ethos. Their social vision is too narrow to accept liberal pluralism. Their belief is that all forms of collectivism (e.g. industrial action, political ascendancy of labour groups) and distributive social policies are only hindrances to economic growth.

Communication within chaebol-centred networks is intensive. The senior staff of chaebols and their umbrella associations actively meet various elites (e.g. politicians, government officials, journalists and businessmen) during their lunch or dinner hours. The information

garnered from these meetings is not held privately but keyed into the on-line information archive systems of their companies. This information is later integrated, analysed by specialists and circulated to the senior personnel. What's more, many chaebols operate a task force team which is solely dedicated to collecting inside information from various elite networks. Different chaebol task forces then have regular meetings with their counterparts and exchange information.

With this system, some chaebols are said to have greater information-gathering power than the government intelligence agency itself (one famous anecdote is that Samsung, in 1998, received information of the death of the Chinese leader Deng Xiaoping through their international elite networks several hours before the first world wire news came out). The information, concerns and ideas gathered are widely discussed across chaebol networks, in many cases leading to a rough chaebol-wide consensus. This consensus then provides the rationale for chaebol public arguments or actions, especially when they interact with external elite groups.

Chaebols are very good at managing the media as a means of achieving and sustaining their power in society. The chaebols' in-house PR units have considerably augmented their personnel and resources in recent decades. Professional PR is now seen as a critical means of gaining direct or longer term strategic advantage in business, and chaebol PR departments have become a route for staff to be promoted to the executive. When a crisis or conflict breaks out, PR personnel are deployed not only to foster favourable public opinion, but also to persuade or dissuade related elite groups.

In ordinary times, however, a more sophisticated and fundamental type of PR is mobilized. The aim of this 'strategic PR', is to spread a business-friendly version of knowledge on specific economic, social and political issues. Many in-house chaebol think tanks or umbrella associations competitively produce issue-related research papers every day. Ironically, in contemporary Korea, it is chaebol-affiliated research institutes that engage most actively and in the most timely way with social, and economic issues, while many public research institutions are too under-resourced to offer much. The target of 'strategic PR' is, by nature, non-corporate elites groups or opinion leaders. Chaebol in-house institutions distribute their research papers through their own email lists. Some of these, usually those dealing with sensitive issues, are only distributed to members of elite groups (e.g. high-ranking government officials or top management) and several days before being published more widely. Think tanks generally work in close cooperation with PR departments. PR departments then promote the research papers when deemed strategically useful and sometimes they request specific research to advance a PR objective.

Mass news media is closely intertwined with the communication process constructed by chaebols. Chaebols are the most important advertisers for newspapers and for broadcasting. Because of worsening financial conditions, quite a lot of media corporations have abandoned the 'principle of a fire wall' between their editorial and management departments. At the same time, many media corporations are closely linked to chaebols through their ownership structures. For these reasons, journalists often mobilize self-censorship mechanisms in their reports on chaebol-related issues. Very frequently, chaebols PR personnel directly harass journalists in an attempt to block unfavourable news. In most cases, they are successful.

However, a corporate 'mobilization of bias' comes equally from day-to-day organisational relations which means that censorship does not have to be directly imposed. Most business

journalists are stationed in press rooms which chaebols or their umbrella associations supply. Hovering around the press room, journalists regularly have contact with PR staff or senior managers of chaebol groups during their lunch or dinner hours. From time to time, PR departments organize conferences or tours in which several key managers from chaebol headquarters stay for one night with business journalists, editors or economic columnists. Major chaebol groups even support overseas study programmes for journalists for a year and keep in contact with their so-called 'Samsung fellow' or 'LG fellow' after they return. In this respect, the level of interaction that business journalists have with chaebol staff is far higher than that with small and medium company managers or the representatives of labour unions. By such means, journalists unknowingly internalize the perspectives and values of chaebols.

The dependency of journalists on chaebol PR departments has grown as media companies have struggled to fill space in an era of declining revenues. Few now have the resources to do an in-depth or investigative piece on businesses. Access to senior chaebol personnel is strictly controlled through the PR department. Reliance on chaebol-crafted press releases, think tank reports and comments is widespread. The similar orientations of business journalists to these same chaebol sources then leads to 'pack journalism' in which all news producers follow similar story lines, frames and opinions. In appearance, reporters seem to engage in intense competition but outcomes seldom vary much.

Chaebols Mobilize Discourse Against the Korean State and Society

The exaggeration of bad economic conditions by chaebol and media, with a view to influencing economic policy, has been a recurrent issue since late 1990s. This argument has appealed directly to individuals while ignoring macro-economic indicators which have continued to show sound growth in the Korean economy. The larger depression discourse has had two socio-political purposes. One was to put pressure on the government to take a more 'business-friendly' stance as 'negative economic conditions' were continually attributed mainly to government regulation and interference in the economy. Thus, the discourse implied if government and politicians leave the business (especially chaebols) to their own course, the economy would naturally become robust. The other purpose was to argue that 'economic redistribution' was best left to the market and achieved through economic growth. Korea has shown a steady deterioration of income distribution since it began forcefully adopting neoliberal policies after economic crisis in 1997. People's sense of economic depression mainly comes from this growing inequality, increasing casualization of work, the rapid appreciation of asset values such as real estate, and the ever-increasing expense for private education. But the discourse of depression only highlighted under-investment implying that once hesitant chaebols and business leaders were encouraged to invest, then everything would go well.

The power of chaebols to dominate economic discourse became evident in 2003-04. Chaebols and the mainstream media simultaneously argued that the economic situation was terrible and relentlessly played up a sense of depression, thus forcing the newly-inaugurated Roh Moo-Hyun government into a political corner. This took place in spite of the fact that major economic indicators, such as GDP growth, the Industrial Production Index and rises in per-capital income were all sound and the economy was clearly recovering from its 2001-2002 depression. Once again, deregulation and entrepreneurial inducements were the things that the government was publicly told it should do.

Conclusion

Bresser Pereira (1984), explored a similar democratization processes in Brazil, whereby the emerging bourgeoisie that grew up dependent on state patronage, then developed their own autonomy. As soon as they gained enough power to accumulate capital without state assistance, they then moved to acquire hegemonic power over the state. In contemporary Korean society, very few people would disagree with the argument that the hegemony of chaebols has become firmly established. As the power of the chaebols has grown so increasingly they have undertaken a quasi-state role, expanding to take the place of a retreating state.

In the case of Korea, the culture and communication environments of chaebol-centred networks have become a significant weapon for achieving corporate policy goals. This has had a significant material impact on Korea as the perspectives, voices and strategies of chaebols overwhelm wider society. The voices of labour, reformist civil society groups and small and medium companies are systematically omitted. Within this imbalance of communicative power, chaebols have emerged as the most powerful social group in Korea whose influence often appears to surpass that of government. Economic globalization has provided great momentum for chaebols to inflate their social legitimacy and influence on society to the best of their ability. What corporate elites and pro-business experts promote in the era of globalization is a set of seemingly ambivalent ideas and discourses. On the one hand, they postulate themselves as ardent supporters of the supremacy of the market. They relentlessly call for the deregulation and the retreat of the state in the economic sphere. The idea of *footloose capital* provides their new identity in this era. On the other hand, they portray the globalized world as an economic battlefield among nation states. Evoking nationalistic sentiment, they represent themselves as defenders of the national interest against foreign capital. Juggling these two arguments – globalism and nationalism – what corporate elites garner from society and the state is in fact a *race to the bottom* in order to support *our* corporations.

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