Defining the New Korean State

Examining the Recomposition of the Korean Economic State after the Asian Financial Crisis

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Abstract

Scholars have formed the consensus that the East Asian economies have built up their distinctive forms of the developmental state in the 60s. Among them, the South Korean developmental state showed a tremendous success in industrializing its economy to the 15th biggest economy in the world by nominal GDP. However, the nation was faced with the Asian Financial Crisis of 1997, and the very developmental structure to which the nation owes much of its industrialization became the topic for change. The biggest external pressure came from the financial rescuer, the IMF, and the neo-liberal organization demanded the state to dismantle its market-intervening structure and help liberalize the country's private sector. If subscribed to the demand, the state would have turned into the regulatory state. However, the Korean state has assumed the new role in the market by becoming the pluralist-supportive model with which the state supported the private sector qualitatively and quantitatively, without liberalizing the private sector. Moreover, the state has kept most of its developmental structure. Consequently, in response to the Crisis and the external pressure, the Korean state has recomposed its role in the economic market in ways that align with the political and historical contingency.

1. INTRODUCTION

East Asian countries have developed rapidly from the 1960s, more so than ever anticipated. Among the East Asian countries, the Republic of Korea (Korea hereafter) showed a tremendous success in industrializing and developing its economy to the 15th biggest economy in the world by nominal GDP. And Korea's success has often been attributed to the developmental state that financially and logistically promoted the priority-industries through oligopolies of chaebols[1] (Chang 1993). Contrary to the Western economic practice, the Korean state actively participated in the economic market, and became embedded as the essential player in its economy. The Korean state's role, therefore, has been labeled as the "developmental state" – similarly to that of Japan – and become the icon of heterodox developmental model (Johnson 1982; Chang 1993; Woo-Cumings 1999; Lee et al. 2002). As a result, while the Korean state incrementally liberalized its economy after democratization, the state had largely remained as the developmental state.

However, hard-hit by the Asian Financial Crisis of 1997, the Korean state faced the demand from the International Monetary Fund (IMF) to liberalize its market. While the IMF acknowledged the Korean state's success of the past, the U.S.-led international organization no longer saw the heterodox structure as efficient. Rather, the IMF identified the origin of the Financial Crisis to be from the developmental state – the country's heterodox economic structure. Therefore, in exchange for the loan, the IMF listed the structural measures that the Korean state had to follow. Most prominently, the Korean state was pressured to dismantle the developmental role and transform itself into a regulatory state that only oversaw any violations of the rule in the market and did not intervene. Any deeper intervention with strategic intent, the IMF argued, would only decrease the effectiveness of the market and instill the state's inherent inefficiency and political ambivalence into the market.

The Korean state, nevertheless, has assumed neither regulatory nor developmental role in directing the economic market, but has assumed the new pluralist-supportive model. And the Korean state has done so through maintaining its political power as a historically developmental state. The pluralist-supportive role of the state does not quantitatively support the oligopolies of the select firms like the developmental state did before, or does not simply sit out of the private market and regulate the rule-violators, but qualitatively promotes the healthy structure of the private sector. While the Korean state was largely criticized for being largely responsible for the Financial Crisis, the shift in the state's regime helped the state still keep the political power to intervene heavily in the market (Hundt 2005). Therefore, as a historic developmental state, the Korean state still contained the political capability to continue its intervention in the market. Furthermore, the democratized and politically diversified Korean state played the supportive role to not only once state-owned large firms and chaebols but also to the small and medium enterprises (SMEs). When the state was maintaining the historicity of the developmental state, the democratized and diversified state brought out the more egalitarian and comprehensive supportive plan for the private sector. The pluralist-supportive plan, therefore, has inclusively promoted growth and healthy structure of the private sector at the same time.

Consequently, the Korean state, as the pluralist-supportive state, may be more "developmental" than the previous developmental state. In other words, while the Korean

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[1] Chaebols are conglomerate firms that are owned by a family through crossholding. Their focus of industry is as wide as electronics, textile, transportation, construction, food, telecommunication, automobile, etc. They are among the most representative of the Korea's illiberal corporate structure, corporate governance, and state-private relationship. More explanations on chaebols could be found from Chang (1993).

developmental state of the past promoted the growth of the some private firms only quantitatively, the pluralist-supportive state now supports quantitative and qualitative development of the entire private sector. Also, the Korean state has assumed this role through the structural rearrangement that partook on the IMF's demands and, at the same time, complied with the domestic political condition. This rearrangement of the Korean state corresponds to the creative recomposition of the economic agent in response to the shock and the newly emerging demand from the market, as Herrigel theorizes from the steel mill industries of the U.S., Germany and Japan (2010). The Korean state, consequently, has adopted the IMF's demand to liberalize the state-private relationship in ways that the state still actively intervenes in the market through the structural recomposition that enables the state to play the historically and politically adaptive role – pluralist-supportive state.

2. HISTORICAL BACKGROUND

2.1. Developmental State

Korea started to industrialize under the military dictatorship of Park Jung-hee, who achieved the political throne through the military coup in April 1961. After successfully gaining the presidency, Park turned toward the economic development as the first priority in his domestic agenda for two reasons. First, he lacked the political legitimacy as a military dictator, thus tried to embolden his legitimacy by achieving the economic development, the most sought-after goal of the Korean people (Woo 1991; Cho 2007). Second, as a military dictator, he was also constantly compared to the other dictator in North Korea. Park had to prove himself to be a more legitimate leader in the Korean peninsula, and was even more motivated ideologically in the Cold War setting (Cho 2007). Park's development-prioritized agenda, therefore, came from his political and ideological competition.

Park chose the developmental role of the state in propelling industrialization of the country, and the Korean state financially and logistically promoted the industrial development as the national project. First and foremost, the Korean state inherited the colonial legacy from the Japanese colonial state. During the thirty-six year long colonial period, the Japanese state established the state-directed textile industries with which the state mobilized the relatively cheap labor from the Korean peninsula (Cumings 1984). The Korean state inherited this structure in which the state actively intervened in directing the economic market (Cumings 1984), and did so in two ways. Financially, the Korean developmental state promoted industrialization with loans and grants that it received from the U.S. in the context of the Cold War (Woo 1991). At the geographical forefront of capitalist country against communist North Korea, the South Korean state could leverage its economy with the financial support from the U.S. that tried to prevent South Korea from being taken over by the communist threats (Woo 1991). The Korean state, as a result, could achieve the scarce financial resources it desperately needed from its ideological ally. Using these financial resources, the Korean state actively promoted its private sector. The Korean developmental state logistically supported certain industries as their "priority-industries" (Chang 1993). The Korean state was already heavily embedded into the networks with the select chaebols, and directed them to vigorously develop heavy industries like automobile, steel and shipbuilding industries (Evans 1995). Moreover, the state did not hesitate to offer tax exemption and other benefits to the chaebols, in lieu of following the state-led initiatives (Chang 1993). The Korean state did so by establishing its own banks, such as the Industrial Development Bank, and directly pouring money into the chaebols. With the financial resources and logistical support, the chaebols quickly grew to be among the biggest firms in the world, and still remain to be so. For instance, among the chaebols that received the heaviest support from the state are Samsung, Hyundai, LG, etc. The Korean state, consequently, successfully mobilized its private sector in industrializing the economy, using the embedded networks between the state and private sector.

The state's embedded network meant the state's heavy favoritism toward certain firms and industries. The developmental state of Korea, contrary to many economic theories, considered the oligopoly as the favorable means to economic growth (Chang 1993). While the state did not undermine capitalistic structure, the Korean state regarded the competition would be too costly in promoting the fast development and often chose to provide the entire market to a couple firms only (Chang 1993). And the state selected the firms that provided the state with most rent-seeking money, thus was corrupt in allocating the resources[2] (Chang 1993; Kang 2002). Despite the corruption and sprouting rent-seeking activities, the Korean state provided the monopolized market with the optimal situation for the firms. Chang further goes to explain that corruption and rent-seeking activities hardly hinder the economic development, contrary to the conventional economic perception (1993). The Korean state's developmental role, therefore, stood as one of the most unconventional, illiberal mechanisms.

While the Korean state prevented the costly competition from interfering the firm's quantitative growth, it employed the export-oriented model to embolden the quality of product that the Korean firms were producing (Chang 1993; Moreira 1995). The Korean state pushed its firms to export their products for two reasons. First, the Korean state desperately needed to increase the pie of the national economy, and acquire the dollars from abroad (Chang 1993). The size of Korea's economy still remained rudimentary, and the country could not economically sustain its entire population with that size. Thus, the Korean state hoped that the exports will increase the size of the national economy and bring the financial resources from abroad. Second, by having the firms exposed to the external market, the Korean state hoped that the supported firms would improve the quality of their products and be competitive in the international market (Moreira 1995). By being financial supported domestically and competing internationally, the Korean chaebols could maintain a stable source of financial supply and become the competitive firms in the international market (Chang 1993; Moreira 1995). The state's export-oriented policy, consequently, brought in the financial resources from abroad, and successfully resulted in the private sector's increased competitiveness in the international market.

2.2. Incremental Liberalization

After successfully industrializing its economy, the Korean state has incrementally liberalized its economy after democratization. While the state has qualitatively remained as the developmental state, the state's move to liberalize soon brought out the catastrophic consequence: the Financial Crisis. After Park's military dictatorship and another military coup, the country was finally democratized in 1992. The democratized state slowly moved away from the developmental state for two reasons. First, the "civilian" administration under Kim Young-sam wanted to emerge into the American-British model of capitalism so that it could gain legitimacy from the international community (Pirie 2008), as the sociological institutionalists would argue

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[2] Evans argues, in his influential book *Embedded Autonomy*, that the Weberian bureaucracy of Korea prevented the destructive rent-seeking activities from happening and helped the state allocate its resources based on the merit (1995). However, Kang shows that the more money the private firm provided to the state, the more market share and resources the private firm got allocated by the state (2005). The disagreement between the two studies arises from the level of analysis in terms of making the decisions. While Evans perceives the bureaucracy to allocate its resources under the general economic policy, Kang points out that the decision to allocate the financial resources came from the top-level, from the political sphere that received much corrupt and rent-seeking compensation (2005).

(Meyer and Rowan 1977). The administration desperately wanted to join the circle of the developed countries, such as the Organisation for Economic Co-operation and Development (OECD) and the World Trade Organization, and the process to join required the state to revamp its developmental role. Second, the democratized regime wanted to differentiate itself from the previous military regimes. The developmental role of the state was closely associated with the military regime, and the civilian regime wanted to politically distance itself from the developmental role (Kang 2002). As a result, while it remained largely developmental, the democratized state of Korea incrementally liberalized its economy.

The incremental liberalization effort of the Korean state, however, brought out the quantitative deficit of financial resources for chaebols and eventually helped the national economy to head into the Financial Crisis. While the state maintained the developmental structure, it slowly moved away from playing the supportive role and no longer financially leveraged chaebols for their operations. Thus, the state privatized the financial institutions, and the financial institutions no longer secured the supply of financial resources to the chaebols, like the developmental state had done. As a result, the chaebols could no longer secure long-termed debts, as they did from the state-owned financial institutions, and only accumulated short-termed debts from abroad (Shin and Chang 2003; Pirie 2008). The chaebols eventually failed to renew the short-termed debts, ran into the extreme shortage of fluid revenue, and started collapsing one by one (Shin and Chang 2003). Therefore, the chaebols were no longer trustworthy partners to the financial institutions domestically and internationally. Consequently, the state had to step in in order to secure the survival of chaebols, and sought financial rescue from the IMF (Sin and Chang 2003; Pirie 2008).

3. POLITICAL PRESSURES FROM THE ECONOMIC SHOCKS

The Asian Financial Crisis domestically and internationally changed the political terrain of the Korean state. In domestic politics, the Kim Young-sam administration received the blames from the people, for liberalizing the financial institutions and other state apparatus that eventually brought out the source of Crisis. In international politics, the Korean state was pressured by the IMF to liberalize its market-intervening structure. When many chaebols collapsed due to their financial deficiency, the collapse only represented a great weakness in the Korean economy's fundamentals. And both domestic and international political terrain blamed the state, or demanded the state in changing the structure. Overall, the economic crisis drove in the momentum for some change, and the only question remained on what guideline to subscribe for the change.

In domestic politics, the Kim Young-sam administration received much blame from the political sphere (Hundt 2005). Many in Korea perceived that the problem arose from the political sphere, for not reacting swiftly to the problem. Especially, the corrupt cases were revealed between the state and the chaebols, such as Hanbo, and they only enraged the Korean people to further blame the government for the structural weakness of the Korean economy. The Kim Young-sam administration, therefore, faded away from its term in 1998 without much glory, and, owing much of its existence to the people's rage, the Korean state experienced its first regime shift, from the conservative to the politically liberal party – under the leadership of the long-time political activist, Kim Dae-jung.

The domestic political pressure, therefore, represented the furthering process of democratization and, with the maintained state-initiative, the diversified demand for the state support. While the state received much of the blame for not rectifying the errors of the country's economy, the state nevertheless did not receive the blame for its market-intervention itself (Hundt 2005). Rather, the state received its blame for not efficiently reacting to the Crisis, associated with the corrupt cases. Although the domestic pressure for liberalization existed, the domestic politics concerned mostly about structurally changing the state apparatus in some way that corresponded with the political terrain. The domestic politics, therefore, did not specify the directionality of the change (Hundt 2005). The domestic politics, consequently, laid out the directionality for the "more efficient" state – whatever that means –, and did not particularly mandate the state to step out of the market (Cumings 1998; Hundt 2005).

The seemingly more legitimate and "economically driven" guideline came from the internationally recognized economic organization, the IMF. In exchange for the financial rescue, the IMF wanted the Korean state to change in two ways (Table 1). First, the IMF wanted the state's economic structure to transform from the developmental state to the regulatory state. The IMF believed that the developmental role of the Korean state fostered inefficiency in the market. The state's financial and logistical support for the private sector, the IMF believed, stalled the private sector from building a healthy financial structure. This demand of the IMF, therefore, involved the state's own structural transformation, without any direct interruption to the private sector. Second, the IMF wanted the illiberal structure in the private sector to be liberalized. And the IMF wanted the state to be the agent to enforce that. The IMF demanded that the chaebols should be dismantled, since the unchecked industrial expansion of the chaebols only stalled them from specializing in one industry and let them spread themselves too thin, causing them to quantitatively grow without qualitative development. Thus, the IMF demanded the state to take up the agency in bringing out the private sector reform.

The IMF's two objectives on the agenda represented the IMF's hope in structurally, and eventually behaviorally transferring the Korean state into the neo-liberal, regulatory state of capitalistic system. Thus, the Korean state was expected to assume the regulatory role with which the state would merely punish the rule-violators in the market and would not intervene in the private sector management. By having the state transform, the IMF believed that the private sector could also operate in the neo-liberal way as well. Therefore, the IMF expected the Korean state to transform into the neo-liberal state by making the Korean state resemble the regulatory state structurally. For the first objective of building the regulatory state, the IMF believed that the Korean state would no longer be the developmental state, once the state abolished its developmental agencies – such as trade-promoting agencies, state-owned financial institutions and state-operated firms – and instated the regulatory agencies. By structurally changing the state apparatus, the IMF hoped the Korean state would resemble the regulatory state behaviorally as well. For the second objective of liberalizing the private sector, the IMF demanded that the Korean state would illegitimize the chaebol structure through the ban on crossholding and other mechanisms. As much as the Korean state helped the chaebols to sprout, the IMF believed that the Korean state could and would exercise the authority to dismantle them. The IMF's demands, in summation, reflected the IMF's expectation in turning the Korean state into the regulatory state, and transforming the illiberal Korean private sector into the neo-liberal one.

4. INSTITUTIONAL CHANGES

Contrary to the IMF's expectations, however, the Korean state has never transformed into the regulatory state, it has assumed the new role of pluralist-supportive state. The state assumed the new role in two ways. First of all, the state did not liberalize the state economic apparatus, and has maintained the market-intervening structure. In other words, the state did not abolish the agencies or privatize the state-owned firms, but only has maintained those agencies and even enlarged its market-intervening influence on the private sector. Even when the state did bring out the structural transformation, the state did not change its substantial role as the state that actively intervenes in the private sector. Secondly, the Korean state plainly did not structurally liberalize the private sector. Rather, the Korean state chose to stabilize the private sector by qualitatively engaging into the chaebol structure and actively supporting the SME sector.

Therefore, the pluralist-supportive model represents the deliberate distribution of state resources to the diverse actors, while the state qualitatively intervenes heavily in the illiberal private sector, based on its politically adaptive role (Table 2). The pluralist-supportive model stands different from the developmental state in that the developmental state focused its resources to a few, the chaebols in the Korean case. The developmental state also focused on the quantitative growth of the "priority-industries", and maintained the close relationship with the chaebols (Chang 1993). In contrast, the pluralist-supportive state does not focus on one sector or industry, but distributes its resources to the diverse array of industries. The pluralist-supportive state, therefore, could come from the democratized and diversified, politically adaptive landscape. Nevertheless, the pluralist-supportive state maintains the market-intervening structure at the state level and meddles in the private sector heavily, especially in qualitative aspect. The pluralist-supportive state, nevertheless, does not illegitimize the illiberal structure, and perceives the legacies of the developmental state historically contingent, thus legitimate. After all, the pluralist-supportive state stands different from the neo-liberal state in that the pluralist-supportive state still guides the private sector to the deliberate objective of the state, with its market-intervening structure. In summation, the pluralist-supportive state remains heavily intertwined in the private sector in ways that the politically adaptive state supports the diverse array of illiberal, historically contingent economic actors.

4.1. Change in the Korean state – Government Level

4.1.1. The Korean State's Resistance to the Structural Transformation

The Korean state simply ignored most of the IMF's demands and hardly brought out the structural transformation at its government level (Stiglitz 2003). First of all, the Korean state, against the IMF's demands, kept the exchange rate low so that the country could sustain exports and limit imports. In other words, the state structurally encouraged the export-oriented policy and kept playing the developmental role. This sustained developmental role of the Korean state goes right diametrically to the IMF's expectations. Moreover, the Korean state did not follow the IMF's advice concerning physical restructuring as well (Stiglitz 2003). It has maintained the industrial policy and government economic agencies that actively promote development of the private sector the way the state wants. Consequently, while the Korean complied with the IMF's demands to some degree, it has largely ignored to subscribe the IMF's guideline, and has maintained its market-intervening role in the state apparatus.

4.1.2. The Korean state's minimal structural transformation & its behavioral maintenance

While it mostly remained structurally unchanged, the Korean state did comply with the IMF's demands to some degree, in stepping out of actively operating the firms in the market and intervening in the private sector. Even this minimal structural transformation, however, did not result in any behavioral change and only maintained the market-intervening role of the state. The most representative example of structural transformation comes from the Pohang Iron and Steel Company (POSCO). As the bedrock of the state-led industrialization, POSCO was established under the Park military regime in the 60s, and had become one of the largest steel companies in the world. In the meanwhile, POSCO remained completely state-owned and operated. However, with the whiplash of the IMF's privatization demands, the Korean state started privatizing the POSCO incrementally. By 1998, the state reduced its ownership of shares in POSCO to less than 20%, and more than 50% of the shares were in the hands of foreign investors. By 2000, the state fully privatized POSCO. The Korean state, therefore, structurally transformed by privatizing the state-owned firms.

As the state was structurally transforming some of its economic apparatus to stay away from intervening the private sector, the state not only privatized the banks but also emboldened its regulatory effort. Thus, based on a recommendation by the IMF to establish an integrated financial supervisory body, the Financial Supervisory Commission was established in order to lay the groundwork for the fragmented financial supervisory bodies (the Banking Supervisory Authority, Securities Supervisory Board, Insurance Supervisory Board, and the Non-bank Deposit Insurance Corporation). Combining the characteristics of the four supervisory boards, on January 2, 1999, the Financial Supervisory Service (FSS) was established. The FSS, therefore, represented the structurally regulatory effort of the new Korean state, as the Korean state was transforming itself from the market-intervening structure to market-overseeing one.

However, even this minimal amount of structural transformation did not lead the Korean state to abolish its market-intervening role. Rather, the Korean state only reaffirmed its role as the powerful player in the market. For example, while its shares were sold to not only domestic but also foreign investors, the POSCO has remained under the state's influence. The Korean state still appoints the top managers of the firm, to the degree that the appointment becomes a political issue. Similarly, for most of the privatized financial institutions, the Korean state appoints the top managers. Moreover, the Korean state does not try to hide its influence on those financial institutions or does not hesitate to send the economic officials to those institutions so that those financial institutions remain embedded in the government networks. The appointment to these institutions, similarly to that of the government departments, covers the national news in the beginning of every term of the top managers, and becomes political to the degree that the new President of the country usually appoints the new managers to those institutions regardless of the time left for the incumbent's term. The Korean executive state, therefore, deliberately uses those financial institutions in ways it uses its economic policy, remaining heavily intertwined in the market. In other words, the Korean state structurally does not own those firms or does not try to nationalize those financial institutions, nevertheless the state exerts a great influence on those private institutions that it intervenes in their operations very heavily. As a result, the Korean state has either maintained its structurally market-intervening apparatus from the developmental era or only superficially changed the economic apparatus, and has remained heavily intertwined in the economic market.

4.2. Change in the Korean state – Private Sector Level

4.2.1. The state-chaebol relationship and the state's qualitative support for the chaebols

While it issued its own mandates for the chaebols for rearrangement, the Korean state further ignored the IMF's demand in liberalizing the private sector, and only focused on strengthening the illiberal structure. The Korean state, first of all, brought out the biggest bailout plan for its economy in its modern economic history, under the project name "Big Deal". The Big Deal included bailing out the chaebols with the IMF-funded revenue, under the state initiative. The Korean state, therefore, provided the quantitative measure with which the chaebols could survive through the Crisis. The state's quantitative support for the chaebols resembled the state's quantitative support during the developmental era, when the state promoted the chaebols' growth regardless of (or even in support of) their illiberal structure. The state's participation in reviving the chaebols, therefore, went diametrically against the IMF's demands for the neo-liberal reform, and only substantiated the illiberal corporate structure of the country.

The state, therefore, never tried to dismantle the very chaebol structure itself. Contrary to what the IMF demanded, the state never illegalized the very structure of chaebols. Rather, the state lifted the limitation on crossholdings up to 45%, and the limitation has been abolished all together in 2009 ("The Fair Trade Policy and Management 2009"). By lifting the limitation on crossholdings, the chaebols could more easily expand their industries and fortify their illiberal structure. For example, the higher the limitation on crossholding is, the more easily the chaebols can control their subdivisions without having to worry about losing the control over the management to other coalitions. Thus, the same kind of crossholding has remained possible throughout and the number of chaebols actually has increased since the aftermath of the Crisis (Table 3). This signals that the Korean state has approved of the very existence of chaebols. And the state's intervention only represents that it has wanted to discipline them after the Crisis in ways in which their reckless expansion does not threaten the health of their entire conglomerate – the national economy at large.

The state's intervention into the chaebols, therefore, did not differ much from that during the developmental era in ways that the state actively supported and helped sustain the illiberal corporate structure. Contrary to the developmental era, however, the democratized Korean state not only quantitatively guided the chaebols but also qualitatively rearranged them. In return for the financial rescue, the state qualitatively rearranged the chaebols in ways that the state perceived would be the healthy structure. The state's definition of healthy structure, however, differed drastically from that of the IMF. While the IMF perceived only the free-market, neo-liberal structure to be the healthy capitalism, the Korean state did not dismantle the core of the chaebols, such as crossholding, industrial expansion and conglomerate-wide support system. However, the state remained acutely aware of the already existing structural weakness. And the state pointed out the high debt-equity ratio and the under-specialization as the most unviable element of the chaebols. As a result, the state rearranged the financial structure and the divisions within the conglomerates so that the conglomerates could become healthier.

Thus, the state mandated the remaining chaebols to rearrange their industries in ways that decreased the debt-equity ratio. This mandate of the state reflected the state's perception of where the Crisis came from: the high debt-equity ratio of the chaebols. The state, therefore, believed that as long as the chaebols kept their debt-equity ratio low, the chaebols do not stand structurally weak. As a result, the chaebols sold out their weak sectors and concentrated their equity into certain sectors so that they could attain lower debt-equity ratio (Table 4). The significantly lowered debt-equity ratio ultimately displays the state's mandate in rearranging the chaebol structure in ways in which the chaebols do not recklessly expand with the state-leveraged financial support.

The most exemplary rearrangement of chaebols came from the electronics industry, one of the most thriving industries of the country. Before the Crisis, the electronics industry of Korea was overcrowded by the chaebols between Samsung, Hyundai, LG, etc. While they have become very competitive in the international market, some of them were maintained by the help of other divisions of the chaebols. Thus, for instance, the electronics division of LG could not stand alone, and had to be supported by other divisions of LG. The Korean state stepped in in order to resolve this overcrowded industry. The state classified the chaebols, and mandated the electronics divisions other than that of Samsung to come together, under one company named Hynix. The state mandated and processed the merger and management of the new company directly, and eventually handed over the management of the new company to Hyundai. The state's mandate in the electronics industry, in this case, representatively shows the state's qualitative intervention into the chaebols. This intervention, after all, stood diametrically to the IMF's demand, and differed from the quantitative support of the state during the developmental era as well.

4.2.2. The state-SME relationship and the state's quantitative support for the SMEs

The Korean state had always promised to promote SMEs through systematic mechanisms, but fell short of doing so until the Kim Dae-jung administration. Even during the developmental era, Park Jung-hee and his successors acknowledged the unfair treatment with which the state provided to the SME industry. Therefore, as an effort to support the SME sector, the state often hosted meetings with both chaebols and SMEs in order to facilitate harmonious relationships between the two. However, overall, the SME sector did not benefit much from the state support. Structurally, most SMEs remained as the suppliers of the chaebols, and took the short end of the relationship. The chaebols were structurally advantaged in the form of oligopoly, and the SMEs had the limited pool of demands while the chaebols could facilitate their networks amongst themselves in order to regulate the market. Since the state prioritized the pro-trust and oligopoly as the strategy of the development, the SME sector suffered from unfair treatment of the state and short-handed deal with the chaebols.

Thus, in taking up the central role in arranging the private market structure after the Crisis, the Kim Dae-jung administration sought to actively support the SME sector. However, in contrast to the qualitative intervention to the chaebols, the state only quantitatively promoted growth of the SMEs, thus providing more autonomy to the SMEs. The state brought out its most visible and representative support for the SMEs in the venture capital sector. The state enacted the "Speical Act for Venture Capital Promotion" in order to promote creation of venture capital and support the SMEs. By doing so, the state believed that the chaebols would be more easily restructured as well, some divisions of the chaebols would spin off as the SMEs (Lee et. al 2002).[3] Thus, the state provided 233 million dollars in 1998 to the SMEs that were founded in less than three years, 439 million in 1999, 189 million in 2000, 232 million in 2001, 223 million in 2002 (1 dollar = 1000 wons) (Lee et. al 2002). The state also lowered the minimum equity for establishment of the stockholding company, from 50,000 dollars to 20,000 dollars. As a result, the SME sector could grow tremendously, and the number of SMEs increased by 60% for three years rights after the Crisis. The number of people working in the SME sector also increased by 200,000 people in the same period (Lee et. al 2002).

While the Korean state has not continued its quantitative support for the SME sector to the same degree, the state has persistently supported the SME sector quantitatively and qualitatively since then. For the most recent example, in 2010, the state has established "The Commission on Balanced Growth for Large and Small Corporations", headed by the former Prime Minister and renowned economist, Jung Woon-chan. While the Commission is nominally for both the chaebols and the SMEs, the Commission focuses on how to distribute the profit generated from the chaebols and SMEs more fairly to the SMEs. When the chaebols have had

[3] This expectation, however, never became realized. Some divisions of the chaebols have spun off as the SMEs, but not in a way that strengthened the SME sector, but in a way that strengthened the chaebols' effort to stabilize their supply chain (Choi 2010).

the upper hand of the deal with the SMEs, the Commission protects the SMEs from the economically and politically powerful chaebols. The Commission also reflects the classic mechanism with which the state has arranged the private sector: the state has sent its powerful former politicians or government officials to the private sector so that the state can maintain its embedded network in maneuvering the private sector.

5. ANALYSIS INTO THE INSTITUTIONAL CHANGES

The Korean state could shift its gear from the developmental state to the pluralist-supportive model and not to the regulatory state because it had the capability and willingness to do so. Therefore, the following sections will analyze how and why the state could recompose its role into the pluralist-supportive state.

5.1. The State's Action and Inaction at the State Level

The Korean state did not subscribe most of the IMF's demands, and recomposed its government sector in ways that fit its capacity and willingness. Ironically, the state could sustain its market-intervening structure only with the resources that the IMF provided. Also, the state could further continue the structure through historical contingency. Moreover, the state was willing to ignore the IMF's demands because it perceived its once-state-owned, now privatized industries to be historically conditional so that the state needs to assume control over them. Lastly, the state wanted to gain control over the financial industries so that it could gain control over the private sector as well.

5.1.1. How the State Was Capable of Maintaining Its Market-Intervening Structure

The Korean state was able to maintain its market-interfering structure through the four mechanisms: strategic privatization, intervention through regulatory agency, historical continuity and revitalization of the state authority in the market. First of all, the Korean state could continue its market-intervening structure because it has left the historically contingent state mechanisms embedded in the market. While the state has privatized some of the state-owned firms, it strategically privatized them so that they are still under the state influence. In other words, the state sold most of the firms' shares to the friendly coalitions – domestic or foreign – so that the state could still be the decision-maker for the firms' management. Moreover, the state strategically distributed the rest of the shares to the wide variety of interest groups, so that the diverse array of shareholders cannot come together due to the organization difficulty. The state, therefore, could continue to appoint the personnel of the firms and intervene in their management, through strategic privatization.

Some may argue that the Korean state still lost its influence over the privatized firms, for the nature of the privatization distributes the power over management to individual stockholders. Especially when the individual stockholders gain organizational ability and act against the state, the state can no longer exert as much influence as it did when it actually owned the now-privatized firms. However, the Korean state still successfully controlled once-state-owned firms not only through the strategic privatization but also through the intervention via regulatory agencies. The privatization of the firms, after all, was only to signal to the international community that the state is stepping out and is liberalizing its market-intervening structure (Meyer and Rowan 1977). Then, in the deeper level, the Korean state utilized the FSS in order to "regulate" the financial market that, in effect, basically controlled the financial institutions. The FSS often imposed the arbitrary guidelines to the privatized financial institutions that the state deemed necessary. Especially, when the privatized financial institutions required the logistical and financial support from the state in order to survive, the state could effectively pressure the financial institutions via the FSS, the logistical agency. Consequently, even though the financial institutions were privatized nominally, the Korean state effectively controlled the financial institutions, disguising its control under the nominal liberalization.

Moreover, the Korean state could continue its market-intervening structure through the historical continuity. While the state-owned agencies left from the state apparatus and officially became privatized, they still sustained the personnel, organizational and operational mechanism under which the state agencies operated. For example, the managers of the privatized, once-state-owned firms were often former government officials who had previously served in other government agencies. Moreover, the now-privatized firms were closely tied to the state apparatus in their operation that they could not function outside of the state apparatus. For example, the POSCO needed to go abroad to build their new plants in countries like Vietnam. The scale of the POSCO's operation, however, required many diplomatic and political arrangements at the state level, prior to the firm's strategic decisions. The POSCO, therefore, remained embedded in the state apparatus through the personnel and operation so that the firm, even after the nominal privatization, remained under the influence of the state.

The Korean state could persistently maintain its market-intervening structure, most importantly, because the state never lost its political authority as the market-interfering mechanism. Hundt explains that the conservative, Kim Young-sam administration got most of the blame from the people for the Financial Crisis, along with the chaebols (2005). The Kim Dae-jung administration stood politically opposite from the Kim Young-sam administration, thus did not receive any blame for the economic status. Rather, the Kim Dae-jung administration gained its popularity from its diametric opposition to the Kim Young-sam administration's economic policy of liberalization. Therefore, the state could return to intervene in the market with the legitimate political authority, and did not hesitate to continue its market-intervening structure. The state under the President Kim Dae-jung, in other words, perceptibly became the new face in the economic market that is not responsible for the Crisis, and could intervene in the market where the chaebols – another actor perceptively responsible for the Crisis – became vulnerable to the state's control.

5.1.2. Why the State Was Willing to Maintain Its Market-Intervening Structure

After the Korean state became the capable actor to intervene in the market, the Korean state willingly maintained its market-intervening structure. And the state did so because 1) the state sought to increase its influence on the financial market and 2) the state wanted to maintain its developmental apparatus with historical contingency. First of all, the state realized that the privatized financial institutions could prove detrimental to the heavily leveraged corporate structure of Korea. During the developmental era, the chaebols were heavily leveraged by the state-owned financial institutions (Chang 1993; Woo-Cumings 1999). However, once the financial institutions were privatized under the Kim Young-sam administration's effort to liberalize the economy, the chaebols accumulated short-term debts from the foreign investors and could not leverage itself based on the state's systematic support (Shin and Chang 2003). As a result, the state realized that it could just privatize the financial institutions without much regulation, when the country's private sector relied heavily on the state-supported financial leverage (Shin and Chang 2003). The state consequently took control of the financial institutions. The financial institutions were running extremely low in their revenue, and could not survive without the state's help. The state, therefore, helped the financial institutions survive, and, in return, has taken over the management of those institutions. In summation, the state assumed the control over the financial institutions as an instrument to gain the once-lost control over the heavily leveraged private sector (Shin and Chang 2003).

The state not only sought to continue its historical role through the financial institutions but also through intervening in the once-state-owned firms' management. And the state willingly intervened in their management because they represented the core and necessary industries of the national economy: steel, finance, electricity, etc. If the state lost control over those industries, the state could have cost not only its economic lost but also political loss, when the people of the country called for low price for necessities during the Crisis. Thus, the state not only became capable of intervening in those firms' management, but also gained its willingness to control those firms because they were so influential to the national economy. And by continuing its historical intervention, the state tried to minimize any interruptions or turbulence to the national economy.

The Korean state's willingness to continue its historical intervention can be shown more clearly in examples where the Korean state has not intervened, while it could or would have otherwise. The Shinhan Bank was established by the capital of the Korean-Japanese coalition during the developmental era, in order to pull the Korean-affiliated capital to the mainland. As a result, while the state played a major role in establishing the Bank, the Korean-Japanese were the major shareholders of the Bank. However, during the Financial Crisis, the Bank desperately needed financial rescue from the state, and the state became a major shareholder of the Bank. The state, in other words, was capable of stepping into the private financial institution's management. However, the Korean state has distanced itself from exerting its influence over the Shinhan Bank's management, and the Bank has continued to be operated under the leadership of the Korean-Japanese coalition. The Korean state, therefore, chose not to intervene, although it could have or would have if it had historically done so. In other words, the state perceived that it did not need to intervene in the Shinhan Bank's management because of the historical contingency and the belief that the state's inaction would not harm the national economy.

5.2.1. The State's Action and Inaction in Private Sector – Chaebols

The Korean state did take the IMF's advice on restructuring the private sector to the degree that it rearranged the divisions of the chaebol. However, the state has never dismantled or illegitimized the chaebol structure itself. The state has not done so because the state was capable of rearranging the chaebols and willing to follow the IMF's advice, but was not willing to go all the way in dismantling the illiberal corporate structure. The state, therefore, subscribed to the IMF's demand in its own discretion, in accordance with its political capacity and willingness.

5.2.1.1. How the State Was Capable of Rearranging the Chaebols

The Korean state could effectively rearrange the chaebols' divisions and lower their debt-equity ratio because the state could pressure the chaebols with the leverage from the now-state-operated financial institutions. The chaebols, first of all, were heavily leveraged by the financial institutions and the state, as a legacy from the developmental era. Back then, the chaebols focused on the quantitative growth during the development, and they could exercise autonomy in their qualitative arrangement because the state focused on the quantitative growth as well. However, the state now focused on the qualitative health of the chaebols. The chaebols, therefore, could not exercise their autonomy in their qualitative arrangement, and had to follow the guideline of the state that had the financial leverage upon them. The financial institutions, as a result, became the tool for the state to control the chaebols, qualitatively as well as quantitatively.

Once the state assumed the control over the financial institutions that heavily leveraged the chaebols, the state could effectively lower the chaebols' debt-equity ratio as well. During the developmental era, the chaebols did not have any incentive to lower the debt-equity ratio. The state securely guaranteed the renewal of long-termed debt and even more debt if deemed necessary, and the chaebols did not have to worry about paying back the debt unexpectedly. However, after the Crisis, the state assured that it would incrementally take away the long-termed debts as well as the short-termed debts, and the chaebols were forced to lower their debt-equity ratio. Unless the chaebols did so, they would have faced another situation like the Crisis, where the chaebols could not get the banks to renew their short-termed debts. The chaebols, therefore, lowered their debt-equity ratio in a more controlled setting by the state, and the state could effectively assume control over the chaebols via the financial institutions.

5.2.1.2. Why the State Was Willing to Sustain the Chaebol Structure While Rearranging It

Without the state's willingness to sustain the chaebol structure, the state's political authority and economic leverage could have easily dismantled the chaebol structure, However, despite the IMF's demands, the state let the chaebols keep their structure them because the state perceived that the national economy would not be able to sustain without the chaebols but the chaebols needed the restructuring after the Crisis. Therefore, while the state reorganized the landscape of the chaebols, the state did not liberalize the private sector and banned the chaebol structure. Woo-Cumings explains that, whether the state liked it or not, the chaebols propped up the backbone of the national economy, consisting 42.9% of GDP at that time (2001). The five largest chaebols alone employed more than 600,000 workers, even without counting suppliers. Moreover, the chaebols not only sustained themselves but also other SMEs that supplied them as well, so their contribution to the national economy was even higher, directly and indirectly. The state, therefore, did not try to completely illegitimize and dismantle the chaebols all together, for the sake of the larger national economy.

David Kang also shows that the state willingly sustained the chaebol structure, via the corrupt deal (2002). He argues that the Korean state supported the chaebols that paid most to the state during the developmental era (Kang 2002). Even after the democratization, Kang argues, the Korean state helped the chaebols in the order of the amount of the corrupt deal (2002). While the state may not have acted upon the corrupt deal only, the state gained its willingness from, along with the concern for the national economy, the corrupt deal.

The state became willing to sustain the chaebol structure because of its crucial role in the national economy and the corrupt deals. However, at the same time, the state became willing to discipline the chaebols by having them lower their debt-equity ratio, and rearrange the divisions of the chaebols because the state saw the structurally vulnerable elements from the chaebol structure. The state, in addition, sought to weaken the chaebols' political influence that came from the past developmental state. As the state was receiving the aid from the IMF, the state agreed with the IMF that the state identified the source of the Crisis from the chaebol's high debt-equity ratio and structural overexpansion. While the political and economic influence of the chaebols stalled the state from completely illegitimizing them, the state still perceived disciplining the chaebols necessary. Moreover, the Kim Dae-jung administration was elected on the politically left-wing platform, and attracted the supporters who benefited less from the developmental era. When the democratized and politically diversified state no longer perceived the chaebols as the politically close partners, but now perceived them just as the principal actors in the economic market, the state had only more incentive to restructure them in economically risk-avert, politically less pronounced way for the state (Hundt 2005). Such action of the state came only easier when the chaebols received blames as the source of the Crisis, under the name of the greedy capitalists. Therefore, the state willingly disciplined and restructured the chaebols so that the chaebols would no longer pose the similar threat on the national economy, like the one they posed for the Crisis.

5.2.2. The State's Action and Inaction with the Private Sector – SMEs

Since the developmental era, the state has always been capable of supporting the SME sector. Even back then, rather than focusing its effort on the chaebols, the state could have distributed its financial resources among the chaebols and SMEs. The state's capacity in supporting the private sector remained similar even after the Crisis, when the state controlled the financial institutions and could direct its financial resources to various industries. The SME sector, therefore, needed the state to be willing to help the SME sector, with the state's given capacity. And the regime shift characteristically redirected the politically adaptive state from being only chaebol-friendly to supporting the SME sector as well as the chaebols.

5.2.2.1. How the State Was Capable of Supporting the SME Sector

After the Crisis, the state could support the SME sector via the financial institutions – similarly to how the state could support the chaebols. With the maintained market-intervening structure, the state actively funded the SME sector to grow. Moreover, the state could logistically support the growth of the SME sector as well, encouraged by the political authority of the Kim Dae-jung administration (Hundt 2005). The SMEs were free from the political blame for the Crisis, since they were not considered to be influential enough to cause such trouble. The state, consequently, was equipped with the economic and political resources to funnel the SME sector's growth, as much as it was equipped with the same resources for the chaebols.

5.2.2.2. Why the State Was Willing to Supporting the SME Sector

With the given capacity to support the SME sector, and differently from the past administrations, the Kim Dae-jung administration willingly encouraged the growth of the SME sector for two reasons: political diversification and shift in regime. Politically, the democratized and diversified state received the political pressure to distribute its economic resources more equally to the SME sector. The left-wing Kim Dae-jung administration represented the population that did not benefit as much from the developmental era and growth of chaebols. When the left-wing regime gained its political power from the population largely discounted from the developmental era, the new regime redirected its resources so that it could benefit its supportive population that represents not only the chaebols' interests but diversified interests. The state's course of action, therefore, had to go differently from the developmental era, and benefit the population left out from the developmental era (Hundt 2005).

In addition to the state's willingness to support the SME that came from the democratized and diversified political landscape, the Kim Dae-jung administration no longer perceived the chaebols with the same positive network as the past developmental state did. During the developmental era, the chaebols were very connected to the state through the embedded networks (Evans 1995). However, as the country's political system had become more democratized and open, the chaebols have come to have a somewhat ambivalent relationship with the state. Because the chaebols were often attacked by the labor and the politically liberal factions, the left-wing faction did not pay as much tribute to the chaebols as the developmental state of the military dictators did. The democratized and diversified Korean state, therefore, no longer saw the chaebols as its specially embedded, closer partners than the SMEs, but just as the principal actors in the market, and this shift could lead the state to more actively support the SMEs.

5.3. How the Korean State could resist the IMF's demand

The Korean state could resist the IMF's demand effectively, when the Korean state was endowed with the agency for the economic reform and paid the financial debts in the relatively quick period. The IMF, first of all, endowed the Korean state with the agency to the reform for two reasons. The Korean state looked as though it was regretting its past as the developmental state, as the Kim Young-sam and the past regimes were criticized for the inefficient market-intervention. The IMF also had no other choice but to endowing the agency to the Korean state, when the Korean state politically remained very stable, despite the regime shift. The IMF could not possibly step in itself in order to bring out the changes, when the country maintained the stable democratic government. The Korean state, nevertheless, utilized its agency so that it could resist the external pressure from the IMF. The Korean state, then, just needed to respond to the domestic political structure that affectively directed the Korean state. Once the IMF could not possibly be involved in the political landscape, the Korean state could effectively resist the IMF's demand.

The Korean state would have had to stick with the IMF's demands, if it had to prolong the financial debts. Just like how chaebols have had to follow the state's directives for their dependency on the state's financial leverage, the Korean state would have had to follow the IMF's directives if it remained dependent on the IMF's financial leverage. The Korean state, however, "graduated" from the IMF's financial rescue in a record-short time, and could stand up without the IMF's help. The financial independence of the Korean state, then, only meant that the Korean state would no longer follow the IMF's directives in structuring its economic structure, save the state only received the limited pressure from the economic institution.

The IMF's role, then, was only to provide the little needed legitimacy from the international market. The Korean state followed some directives from the IMF, while it largely ignored its major directives. And the Korean state did so as it wanted to attract the foreign direct investments (FDI) and trust from the international financial market (Lee et al. 2002; Shin and Chang 2003; Pirie 2008). For example, the Korean state established the FSS under the IMF's directives, while the state used the FSS as a means to intervene in the market, rather than to play the regulatory role. Consequently, as Meyer and Rowan (1977) showed, the Korean state merely perceived the IMF's directives as functionally ineffective yet culturally legitimate, and merely followed some of the directives and largely ignored the ineffective and politically undesired directives.

6. CONCLUSION

The Korean state has assumed the new role of the pluralist-supportive state in its economic market, and departed from the developmental state of the past or the neo-liberal state that the IMF demanded. And such recomposition of the state was possible due to the politically adaptive process of the economic agent (state). This adaptive process of the state also reflects Herrigel's new theoretical understanding for the economic agents. He explains that, with the arise of globalization, the institutions and policies do not become homogeneous and rationalized, as the neo-liberal school of scholars argue. Moreover, the institutions and policies do not remain path-dependently the same either, as the institutionalists argue. Herrigel shows that the economic agents of the market actively seek to assume their role in the market creatively, in adapting to the new environment and recomposing their role based on their political and social position (2010). The Korean state's politically adaptive role, in other words, reflects the state's shift in the regime (conservative to left-wing), change in political nature (from concentrated to diversified), adaptation to the external pressure from the IMF, and the changing political and economic relations with the private sector.

Therefore, further research should focus on the recomposed role of the other economic agents in the market, such as the chaebols, SMEs, unions and the like. For example, the chaebols, being rearranged by the state, sought to comply with the state's demand and strengthen their economic position at the same time, by spinning off their underspecialized divisions to the SME sector. By spinning off some of their divisions, the chaebols could structurally reform, but at the same time remained intact with their past divisions through the embedded networks and other mechanisms. Similarly, the SMEs and the unions have taken up different roles after the Crisis. The unions became more embedded in the management of the firms, while the increased strength of the unions drove the firms to hire workers on the part-time basis, resulting in the destabilization of the fragile welfare of the workers. The recomposition of the role of the economic agents stood out more clearly with the Crisis that drastically changed the political environment of those agents, and requires further research into the politically adaptive process of those agents.

Lastly, the Korean state reflects the easily forgotten, historically contingent recomposition of the politically adaptive economic agent. The Korean state did not recompose its role independent of its past role, seeing that the state could not ignore its legacy as the developmental state. The chaebols were left heavily leveraged after the developmental era, and the state would not have had to step in if that were not the case. Therefore, the state maintained its market-intervening structure based on the historically built networks, rearranged the chaebols that have gained their political influence from the developmental state, and redirected its resources to the SME sector that was not supported sufficiently during the developmental era. The Korean state, in other words, had to consider the historical maturity of its role, in recomposing its role in the politically adaptive way.

As the economic agents recompose their role in the politically adaptive way, the Korean state will not forever play the pluralist-supportive role in the market. Rather, the state will recompose its role in another crisis that characteristically differs from the Asian Financial Crisis of 1997. Nevertheless, the state has continued to play its pluralist-supportive role throughout, and so have the other economic agents adapted to the new environment. By investigating the recomposition of the role for all economic agents, the research on the economic institutions and policies will be able to further analyze the political motivations and predict trajectories of the economic institutions in the future.

Table 1 (Kim and Rhee 1998)

	1st proposal (Dec. 3 1997)	2nd proposal (Dec. 24 1997)	3rd proposal (Jan. 7 1998)	4th proposal (Feb. 7 1998)	5th proposal (May 4 1998)
Financial Sector Reform	-Enact the Korean Bank Law -Enact the law regarding the regulatory commission on the financial sector -Amend the law to combine the financial statements			-Close the financially unsound financial institutions -Enact the law that does not require the minimal amount of revenue for establishment of financial institution	
Corporate Restructuring	-Mandate the increased transparency to the company books -Decrease the scope with which the industrial policy guides the finance of the company -Ban the tax cuts and financial support -Mandate the lower debt-equity ratio			-Liberalize the domestic M&A -Amend the Bankruptcy Law -Mandate the establishment of the external supervisory board -Mandate the external members in the board -Empower the minority stockholders	-Ban the use of state revenue for the corporate restructuring -Allow all kinds of M&A -Encourage the banks to exchange information with the corporations -Encourage banks to hire international experts in controlling the debt
Interest Rate and Fluidity of Capital	-Allow the increase in interest to stabilize the financial market	-Ban the limitation on the interest rate	-Keep the interest high until the financial market stabilizes	-Lower the interest rate depending on the financial market	-Ban the financial support system -Embolden the support for SMEs

Table 2. The comparison between the developmental, regulatory (neo-liberal) and pluralist-supportive state

	Political Economic State		
	Developmental State	Regulatory (neo-liberal) State	Pluralist-Supportive State
Political System	Concentrated	Democratized	Diversified
Historical Contingency	Present, but less pronounced	Ignored	Present to the degree that determines the economic policy
State-Social Sector Relationship (i.e. union, management)	State-centered	Social sector-centered	State-centered, yet politically contingent
Objective of Economic Policy	Development/ Catch-up	Stabilization/ Profit-seeking	Development and Stabilization
Power Distribution	Concentrated at the state level	Distributed at the social level	Distributed at the state and the social level
State-Private Sector Relationship	State-centered	Private Sector-centered	State-centered, yet politically contingent
Openness to the External Market	Largely closed	Largely open	Selectively open
Financial Market	Under the tight state control	Up to the private sector	Under the tight state control

Table 3. Status of designation of large business group (chaebols)

	Business group subject to the ceiling on total amount of shareholdings in other domestic companies			Business group subject to the limitation on crossholding		
	No. of business group	No. of affiliated company	Assets Total (trillion wons)	No. of business group	No. of affiliated company	Assets Total (trillion wons)
2002	19	356	498	43	704	611
2003	17	364	508	49	841	652
2004	18	378	426	51	884	696
2005	11	283	363.2	55	968	778.5
2006	14	463	420.5	59	1,117	873.5
2007	11	399	471.6	62	1,196	979.7
2008	11	543	574.9	79	1,680	1161.5
Average	14.9	398.0	466.0	56.9	1,055.7	765.1

Source: The Fair Trade Commission (2008)

Table 4. Status of debt guarantees of business group (chaebols) (unit: trillion wons; %)

	Equity	Amount of debt guarantee			Ratio of debt guarantee to equity	
		Company subject to restriction	Company exempt from restriction	Total	B/A	C/A
1993	35.2	120.6	44.9	165.5	459.8	342.4
1998	68.1	26.9	36.6	63.5	93.1	39.5
2002	265.6	0.6	4.0	4.6	1.6	0.2
2003	309.0	0.6	3.9	4.5	1.4	0.2
2004	322.0	0.5	3.3	3.8	1.2	0.1
2005	383.0	1.3	2.7	4.0	1.0	0.3
2006	438.5	0.4	1.8	2.2	0.5	0.1
2007	490.3	0.2	1.6	1.8	0.4	0.04
2008	510.1	0.2	1.4	1.6	0.3	0.03

Source: The Fair Trade Commission (2008)

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