

Preface

This book tries to convey the essence of large corporations in Korea or what is referred to as the *chaebol* in terms of its past, its current status and its future prospects. Relatively speaking, the reason for the demise of any entity is usually easier to explain than putting forward an acceptable explanation of how that particular entity came into being. For example, an innocent boy can easily be held accountable for the death of a bug that he purposely stepped on, but he can hardly be expected to explain how and why that insect came to cross his path. This book faces this difficult challenge to present to its readers a concise picture of the unique circumstances that prompted the growth and behavioral characteristics of large corporations in Korea.

It is common to find that the *chaebol* have been looked upon as an 'evil monster'. Ever since the 1997 economic crisis, the *chaebol* have increasingly been brought to the spotlight internationally as well, and there is now a flood of discerning commentaries. Discussions surrounding the *chaebol* besides being highly controversial are usually preceded by unfavorable pre-judgements that quickly erase any hope of objective analyses, thereby resulting in nothing but confusion. Furthermore, although international concern is highly welcome in this day and age, the lack of proper understanding of *chaebol* issues is reflected by inconsistencies in policy recommendations, which should be promptly corrected. In fact, a strong motive for writing this book has been my frustration with widespread misunderstanding and misconceptions about the *chaebol*. This book serves to fill the void in objective research in economics as the reader will recognize immediately the application of positive economic analyses to *chaebol* issues, thereby providing a challenge to the widespread ethical and normative discussions common in the media and among professionals up until now.

Many of the ideas in this book began to crystallize at about the time when I wrote a Korean book of a similar title addressing *chaebol* issues. Also, I discuss various aspects of the recent corporate sector reform in my *A New Paradigm for Korea's Economic Development* (Palgrave, 2001). Needless to say, this book is not only an extension of the discussions touched upon in my previous works, but it is in many ways a much more comprehensive study containing many new ideas, analyses and insights. To produce a manageable and comprehensive volume, various important issues surrounding the evolution of large corporations have been selected, presented and thoroughly

discussed, on the theoretical as well as the empirical levels. That notwithstanding, I have avoided being too technical or writing an encyclopedia and thus the book should appeal to all those interested in understanding the evolution of large corporations. A unique feature of this book is the application of new-institutional economics, which, as this book will demonstrate, is a highly applicable discipline to understanding the evolution of economic phenomena, including corporate formation, growth and behavior. I hope this book results in not only a better understanding of how large corporations, in particular the *chaebol*, have evolved, but also a clearer appreciation of why public policy as well as recent reform efforts directed at restructuring corporations in Korea have so far been rather ineffective. Development economists and policy-makers should find here a viable policy framework suitable to enhancing corporate efficiency, as well as national economic growth.

I am grateful to both the Korea Development Institute (KDI) and Korea Economic Research Institute (KERI) – leading think-tanks in the public and private domain, respectively, in Korea – for providing me with a pleasant environment in which I could carry out extensive research over so many years. I would like to extend my special appreciation to Yoon Yong for editing as well as being available for discussion throughout the writing of this present volume. Needless to say, I bear full responsibility for the judgements reflected in this book. This book is dedicated to my loving family: Soo, HoonJoon (Eddie) and JungWon (Annie).