

# **POLITICAL CORRUPTION IN NEW DEMOCRACIES: A COMPARATIVE STUDY OF INDONESIA AND SOUTH KOREA<sup>1</sup>**

**Danang Kurniadi**  
**Arryman Fellow 2012-2013**

## **A. Introduction**

One of the most challenging tasks for new democracies is to eradicate corruption. It is widely known that corruption potentially harms the process of democratic consolidation. Earlier study shows that most emerging democracies are average no less corrupt than autocracies (Triesman 2000). Only those countries with 40 or more consecutive democracy are significantly less corrupt than authoritarian regime. In fact, it is likely difficult to find successful anti-corruption reform among new democratic countries.

This paper focuses on the experience of Indonesia and South Korea on combating corruption as their political system became democratic. Since began its transition from authoritarian regime under Soeharto in May 1998, Indonesia until recently still struggling to curb KKN (corruption, collusion, and nepotism). Although it was widely lauded as one of the most success story, democratization in Indonesia did not necessarily followed by reduction in corruption. In fact, corruption in political system post-authoritarian became rampant, widespread across the country, and some what more chaotic. In 2009, Indonesia

---

<sup>1</sup> This paper is made possible by the generous support from PT Adaro, PT Bank Central Asia, PT Djarum, Ford Foundation and Rajawali Foundation through the Indonesian Scholarship and Research Support Foundation (ISRSF).

was ranked as the most democratic and the most corrupt country in Southeast Asia (Winters 2011). This phenomenon shows that increasing in democracy does not guarantee the state's efforts in curbing corruption became successful.

Conversely, ever since the democratic transition in 1987, South Korea relatively succeeded to reform its bureaucracies, economic and political system (Kang 2009). These structural changes, in fact, were contributed to minimize the country's level of corruption. Even though there were indications that political corruption was increased in the early years of democratization, a study by Schoopf (2001, 2004) provided evident that corruption in South Korea was decreased significantly. He found that room for corruption was substantially reduced post the military regime.

The cases of Indonesia and South Korea show that the effect of democratization on corruption is vary. If both countries previously have long problem on corruption and ruled by authoritarian regime, why the effect of democratization on the level of corruption is different? More specifically, why corruption became rampant in Indonesia but it was decreased in South Korea? Was democratization the main cause of corruption reduction in South Korea or there was another factor related to democracy that have significant impact on corruption?

Generally, there is expectation that corruption is lower after democratization. In fact, fighting against corruption does not solely related to democracy. Singapore and Hong

Korea is usually cited as examples of autocracies that were successful in reducing corruption. Even though political rights in both countries are relatively low, it is believed that their success is determined by their strong institutions (political, economical, and legal). As a result, most of their anti-corruption campaign and strategies are effective to control the country's level of corruption. In addition, these two countries also indicate that effectiveness of controlling corruption does not necessarily related to regime types.

Through examination of Indonesia and South Korea cases, this paper argues that democratization, by itself, is not necessarily effective to reduce corruption. It's effectiveness, however, determined by the strength level of state institutions. In a country where institutions are strong enough, democratization will effective to minimize corruption, whereas in a country with weak institutions, democratization will not significantly contribute to reduce corruption.

This paper progress as follow. First, I review the literature on the relation of democracy and political corruption. Following this section, I analyze the effect of democracy on political corruption in Indonesia and South Korea. In the next section I continue to focus in more closely on whether there are particular aspects of anti-corruption strategies under democratization that help account for variation in the effect of democratization on reducing corruption. The last section is conclusion.

## **B. What We Know about Democracy and Political Corruption**

In this paper, corruption refers to “the misuse of public power, office or authority for private benefit—through bribery, extortion, influence peddling, nepotism, fraud, speed money or embezzlement” (UNDP, 1999). Democracy is defined “minimally as a political system in which free and fair elections inclusive of all social groups are held regularly and basic civil and political liberties are respected” (Lipset, 1998). Democratization is “the process of building a democracy following the collapse of a non-democratic regime” (Sodaro, 2001).

From theoretical perspective, there are several reasons why democracy might be expected to reduce corruption (Johnston 1998, Rose–Ackerman 1999). At the structural and institutional level, democracy restrains the behavior of the elite by holding them accountable for their actions. This includes, (1) elections—a critical tool of vertical accountability—which public to control politician (2) basic freedoms—which allow citizens, the press, and autonomous social organizations to collect and expose information independently, to lobby for policy changes and to engage in open public debate; and (3) mechanisms of horizontal accountability whereby government monitors itself—checks and balances across the various branches of government may similarly constrain the ability of officials to deviate from impartial practices.

However, there are other theories that question the effectiveness of democracy on reducing corruption. According to Rose-Ackerman (1999), more competitive elections may make political parties and candidates vulnerable to pressure from funders. In some

societies, introduction of democracy has served to reinforce existing patron-client relationships, leading to the democratization of corruption rather than its reduction (Pani 2011). Ethnographic studies completed in the 1990s emphasized how democratization may actually increment the opportunities and magnitude of corruption (Sung 2004). In the Philippines, “money politics” returned as democratization essentially “decentralized” the endemic practice of corruption under Marcos (Moran 2001).

In sum, democracy does seem to reduce corruption, but only over time—it seems fruitful to distinguish democracy (a state) from democratization (a process) and to differentiate their effect on corruption. As Rose-Ackerman (1999) notes, “corruption cannot be expected to wither away just because a reform government has taken power.” This suggests, at least theoretically, that corruption may actually increase during the process of democratization or at best remain unchanged before it falls at some point in the future. And indeed, analysts highlight how in the years following the celebrated return to democracy in the 1980s in Latin America, corruption actually increased (or, as most would concede, failed to fall appreciably as theoretically predicted) (Weyland 1998; Geddes and Neto 1992, 1998; Brown and Cloke 2004, 2005).

One process entails the emergence of corruption stemming from democratization itself, what Morris (2009) calls “new corruption.” This occurs through a variety of mechanisms. At a broad level, democratization, by its very nature, implies a state of rapid change, of flux in the political rules and practices. This fluid and less predictable environment itself,

according to Jens Andvig (2006), facilitates an increase in corruption at least in the short term of people take advantage of unclear rules, muddled lines of authority, and tentative accountability mechanisms. In addition, democratization creates new rules for institutions and new opportunities for corruption.

### **C. The Effect of Democratization on Political Corruption**

Indonesia and South Korea are similar and different in several ways. Before started democratic transition, the two countries were governed by military regime—Indonesia by Soeharto for almost 32 years and South Korea by Park Chung-hee (1961-1979). In addition, both countries also experienced in economic growth and high corruption. In terms of Indonesia, its economic growth was increased since the country has rich natural resources.

However, Indonesia and South Korea differ on the external threat they face and the quality of state institutions. In fact, South Korea has to face North Korea as their external threat, and Indonesia almost has no external threat. This threat, in fact, plays as a constraint for South Korea on the process of bulding and strengthening their nation solidity. Finally, in terms of the quality of institutions—economic, political, and legal—Indonesia's institutions under Soeharto are weak and South Korea's are strong enough.

In the New Order era, Soeharto play as single actor of Indonesia's politic. His dominant power, the weak and submissive legislative and judiciary, and rooted clientelism over

society, enabled him to use corruption to cement the ties wedding political elite and co-opt potentially threatening the system. Consequently, Indonesia's institutions did not developed vey well. In some sense, Soeharto was identified as the institution it self. Those weaknesses, however, sometimes date back to colonial era. Before the Soeharto era, President Soekarno had already started to undermine the political institutions and the judiciary at a time when these only just emerged from the colonial regime.

Conversely, spectacular economic growth under the authoritarian regimes of Park Chung-hee and Chun Doo-hwan in the 1970s and 1980s helped the states institutions became stronger. Followed by the increase in civil protest supported by the new middle class in the last of 1970s, South Korea served as a textbook example of the economic preconditions theory of democratic transition (Baker 2007). In fact, the quality of the institutions determine continuity and quality of democratization in South Korea.

As the two countries transformed from authoritarian regime to democracy, their political system changed dramatically. In Indonesia, people now enjoyed freedoms, free and fair elections, decentralization, and other political rights. At the level of state institutions, the four times constitutional amendment also altered the relation between president and Parliament, as well as their checks and balances mechanisms. Unlike in the Soeharto era, parliament is no longer a mere rubber-stamp and instead is one of the key power centers with the President requiring the support of major segments of the political elite represented in the House. In sum, power has become much more diffused and

decentralized as well as restructured new relation among state institutions and state society.

Similarly, democratic transition in 1987 changed South Korean political system. In the same year, National Assembly drafted, and a national referendum subsequently approved. In addition, a new constitution that contained much of the contents of the declaration, including the direct election of presidents to single five-year terms, a strengthened role for the National Assembly that included the right to impeach the president and inspect state affairs, political neutrality for the armed forces and a reaffirmation of civil rights and due process.

Democratization in Indonesia and South Korea clearly articulated by the changes in the political system. Thus, to what degree all these changes effected political corruption? The answer may different between these two countries.

As the changes in the elections for instance, there was high public expectation about the role of political parties in the advance of democratic system with greater transparency, rule of law, and accountability (Hadiz 2009). However, these changes also facilitating corruption by increasing opportunities for politicians to do illegal campaign, vote-buying, and new clientelism. Major political parties in Indonesia are widely believed to be uniformly involved in the pervasive practice of money politics.



Similarly, decentralization post-authoritarian regime also yield two different voices. On the one hand, it is fundamentally altered the relationship between central government and those at the provincial and municipal levels. The new central and local government relationship, however, lead to the further decentralization of corrupt behavior and the rise of new, more diffuse system of patronage than existed during Soeharto era (Hadiz 2004). Under Soeharto, corruption was “centralized” in Jakarta, as the center of government as well as business. Democratization, in fact, triggers corruption spread to all regions of the country. As the decentralization began in 1999, some local majors, governors, and local parliament members have already been particularly involved widespread report of money politics and violence as local forms of bossism to begin emerge.

Pattern and dynamic of corruption

I: centralized and predictable	II: decentralized and unpredictable
Indonesia pre-1998	Indonesia post-1998

Figure 1. The changing pattern and dynamic of corruption in Indonesia

To sum up, the pattern and dynamic of political corruption in Indonesia have changed significantly. Previously, political corruption centralized in the inner-circle of Soeharto. Hadiz (2009) says that “during the long of Soeharto era, a highly centralized,

authoritarian government that there was a certain degree predictability about the corruption that fed into a greatly personalized, patrimonial system rule centered presidency.” During the Soeharto era, KKN (corruption, collusion, and nepotism) were done among him and his cronies and loyalist—mainly military, bureaucrats, and businessman. With the end of Soeharto era, the pattern and dynamic of corruption have done likewise as the power has become diffused and decentralized. Actors, sectors, and locations of corruption became more rampant, widespread, and uncontrolled.

Meanwhile, democratization in South Korea has altered the relationship of the state and businesses. Democratization severely weakened the power of the state to check the *chaebol* (Kang 2009). Consequently, this led to increase demand for political payoffs because politicians need fund to run in the elections. In fact, democratization did not alter the highly demand of the *chaebol* (business sector) for rents, but it affect the supply. Since the number of politicians increased on the supply side, fewer limit were placed on the behavior of the business sector.

State

	coherent	fractured
Business	I: mutual hostages  Korea pre-1987	II: rent seeking  Korea post-1987

## Figure 2. The Changing Relationship between Businesses and the State in the 1980s

Transition to democracy in South Korea has by no means reduced the ability of rent-seeking groups to exercise political influence. The scandal of Kim Dae-jung in the late 1990s show that the demand for campaign funds has probably increased. It is widely known that to run a party and win an elections in South Korea needs unlimited funds. As a result, rent-seeking activities post-authoritarian regime still rampant.

The explanation above provides evidence that democratization in Indonesia and South Korea has affected changes on corruption. While in Indonesia the pattern and dynamic of corruption became more decentralized and unpredictable, democratization in South Korea has changed the relationship between the state and business became more attractive.

### **D. Anti-corruption Strategies under Democracy**

Before Indonesia and South Korea democratized their political system, there were several effort by the government to eradicate corruption. Under authoritarian regime, South Korean government created anti-corruption agency. In 1963, Park Chung-hee crated Board Audit and Inspection (BAI) to act as a direct check on the economic bureaucracy (Hart and Landsberg 1993).

Similarly, Indonesia's government first attempt to curb corruption occurred after the 1955

election; it resulted in the arrest of those involved, including civil servants and ministers (Quah 2004). During the New Order era, Soeharto launched Tim Peramberantasan Korupsi (Eradication Corruption Team) in 1968 and Kopkamtib (Commission of Four to the National Security Agency) in 1977. However, all these efforts have been ineffective, mainly because corruption was institutionalized in the bureaucracies as well as in political institutions.

Since the democratization began in 1998, new legislation to combat corruption has been enacted, and new institutions have been established and abolished (Schutte 2009). The latest institution, and the one with the most powerful mandate, is the KPK (Corruption Eradication Commission) and Anti-corruption court (Tipikor Court). The existence of these anti-corruption bodies such reflected that democratization play as stimulus to strengthen the judicial institution.

In the early years of democratization, South Korea increased rules and regulations to fight against corruption. In 1993, the country established a Real-Name Financial Transaction System, which banned the use of anonymous financial accounts. In 1994, President Kim strengthened BAI and created Commission for prevention of corruption. South Korea, finally enacted Anti-Act in 2001 and launched KICAC (Korean Independent Commission Against Corruption) in 2002. By doing so, South Korea has sought to reduce both incentives and opportunities for corruption. In general, there are four elements of anti-corruption strategies in South Korea: building an anti-corruption

infrastructure, implementing administrative and institutional reform, promoting public awareness against corruption, and strengthening detection and punishment (Park 2004).

Comparing the strategies of both countries, Indonesia more focuses on the punishment as constraint for potential corruptor. Until February 2011, KPK and Tipikor Court had convicted all 250 defendants or 100%, in which most of them are politicians, parliament members, top bureaucracies, ministers, governors, and even Aulia Pohan, a member of President SBY extended family (Butt 2010). It is likely that KPK was effective. However, KPK did not represents judicial institutions as a whole. In fact, judiciary in Indonesia still facing old problem namely judicial corruption. Thus, it can be conclude that independent body such as KKP is somewhat effective but not sufficient.

South Korea on the other hand, promote regulation, transparency, and competition. These all strategies are combined to anticipate high level corruption, particularly rent-seeking between the state and business. This strategy relatively effective as their democracy became mature.

In fact, it is hard to determine which strategies is more or less better. However, by comparing a corruption perception index by Transparency International, Indonesia post-authoritarian regime is still less clean than South Korea.

Year	Indonesia	South Korea
------	-----------	-------------

	Rank	Score	Rank	Score
2001	88	1.9	41	4.2
2002	99	1.9	40	4.5
2003	122	1.9	50	4.3
2004	133	2	47	4.5
2005	137	2.2	40	5
2006	130	2.4	42	5.1
2007	143	2.3	43	5.1
2008	126	2.6	40	5.5
2009	111	2.8	39	5.5
2010	110	2.8	54	5.4
2011	100	3	43	5.4
2012	118	3.2	45	5.6

Source: Transparency International

### **E. Conclusion**

This paper conclude that there is clear correlation between democracy and corruption, the more democracy lead to less corruption. However, the relationship of the two variables is far from perfect. In some cases, increase in democracy does not necessarily followed by

reduction in corruption. The case of Indonesia in the early years of democratization provides evidence that corruption became widespread as the country started to adopt democratic principles. On the other hand, when democratization will produce a reduction of corruption as the country succeed to maintain it for the longer period.

This study also found that when a country start democratic transition with strong enough institutions, it will succeed to reduce corruption. The experience of South Korea shows that strong institutions determine wether democratization will effected on reduction on corruption or not. It is, by contrast, when a country starts democratic transition with weak institutions, it potentially fails to maintain the level of corruption. Indonesia's democratic transition in 1998 provide clear evidence that democracy might able to help the country to strengthen institutions, but it takes time.

## References

- Acemoglu, D. and T. Verdier (1998): “Property rights, corruption and the allocation of talent: A general equilibrium approach”, *The Economic Journal*, 1381 – 1403.
- Acemoglu, D. and T. Verdier (2000): “The choice between market failures and corruption”, *The American Economic Review*, 194 – 211.
- Amundsen, I. (1999): “Political corruption: An introduction to the issues”, *Working Paper 99:7*, Bergen: Chr. Michelsen Institute.
- Andvig, J. (1993): “Economic analysis of corruption”, pp. 228–253 in Arve Ofstad and Arne Wiig (eds.) *Development theory: Recent trends. Proceedings of the NFU annual Conference 1992*. Bergen: Chr. Michelsen Institute, Report 6:93.
- Andvig, J. (1995): “Corruption in the North Sea oil industry”, *Crime, Law and Social Change*, 289-313.



- Andvig, J. and K. Moene (1990): "How corruption may corrupt", *Journal of Economic Behaviour and Organization*, 63–76.
- Bardhan, P. (1997): "Corruption and development: A review of issues", *Journal of Economic Literature*, 1320-1346.
- Barro, R (1996): "Democracy and Growth", *Journal of Economic Growth*, 1-27.
- Collier, P. and A. Hoeffler (2000): "On the incidence of civil war in Africa" (first draft 16 Aug.). Washington DC.: World Bank.
- Doig, R.A. (1995): "Good government and sustainable anti-corruption strategies: A role for independent anti-corruption agencies?", *Public Administration and Development*, 151-165.
- Doig, A. and R. Theobald (2000): *Corruption and Democratisation*. London: Frank Cass.
- Goldsmith, A. A. (1999): "Slapping the grasping hand: Correlates of political corruption in emerging markets", *American Journal of Economics and Sociology*, 866-883.
- Huntington, S.P. (1968): *Political Order in Changing Societies*, New Haven, Connecticut: Yale University Press.
- Johnston, M. (1996): "The search for definitions: The vitality of politics and the issue of corruption." *International Social Science Journal*, 639-58.
- Johnston, M. (1997): "What can be done about entrenched corruption?" Paper presented at the Ninth *Annual Bank Conference on Development Economics*, Washington DC: World Bank
- Khan, M. (1999): "The new political economy of corruption", Department of Economics, School of Oriental and African Studies, University of London, Working Paper.

- Khan, M. and K. S Jomo, eds., (2000): *Rents, Rent-seeking and Economic Development. Theory and Evidence in Asia*. Cambridge: Cambridge University Press.
- Klitgaard, R. (1988): *Controlling Corruption*. Berkeley: University of California Press.
- Mauro, P. (1995): "Corruption and growth", *Quarterly Journal of Economics*, 681–712.
- Mauro, P. (1997a): "The effects of corruption on growth, investment and government expenditure: A cross country analysis", in K.A. Elliot (ed.) *Corruption and the global economy*. Washington D.C.: Institute for International Economics, 83-107.
- Mauro, P. (1997b): "Why worry about corruption?", *IMF Economic Issues* 97/6, Washington D.C.
- Nye, J.S. (1967): "Corruption and political development", *American Political Science Review*, vol. 61, no. 2, pp. 417-427.
- Rose-Ackerman, S. (1978): *Corruption. A Study in Political Economy*. London/New York: Academic Press.
- Rose-Ackerman, S. (1996): "Democracy and 'grand' corruption", *International Social Science Journal*, vol. 48, no. 3.
- Rose-Ackerman, S. (1999): *Corruption and Government. Causes, Consequences and Reform*. Cambridge: Cambridge University Press.
- Wedeman, A. (1997): "Looters, rent-scrappers, and dividend-collectors: Corruption and growth in Zaïre, South Korea, and the Philippines", *The Journal of Developing Areas*, 457–478.