2010

Shin-gate: Misunderstanding the Power of Shame in South Korea

Koushik Ghosh
Central Washington University, ghoshk@cwu.edu

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Koushik Ghosh, Central Washington University

Koushik Ghosh is Professor and Co-Chair in the Economics Department at Central Washington University's College of Business

Shame is not perceived nor used similarly in different cultures. How does that difference across cultures influence our interactions in the public space? How does that influence our business interactions differently? It has been argued, especially in the wake of Asia's financial crisis in 1997 in Asia, that there was an inadequacy of shame in the Asian cultures after the economic crash. The same kind of argument has been presented in the United States after the present crisis of 2008-09. President Obama has tried to shame the Wall Street crowd. Economic commentators have spoken of banks having no shame. The question is how important is shame in the American culture, vis-à-vis the Asian culture. In the discussion that follows, this query will be addressed by focusing on one Asian country, South Korea, and a particular case that has been labeled, Shin-gate.

Shame Across Cultures

Though the issue described above is best studied using empirical methods, obtaining data involving shame is rather hard to collect. Fortunately, stories and anecdotes can serve as great case studies for understanding and analyzing what role shame plays in different cultures. Sometimes in cross-cultural exchanges, loss of reputation and other such damage, due to a scandal, can indeed create such shame that it leads to loss of income and other types of monetary losses. It is also possible that a society that uses shame as a "sorting" mechanism to distinguish good businesses and business practices from bad, may have great difficulty in communicating the power of this practice, its relevance and its effectiveness as a tool of public policy to another culture where the practice is not relevant. In such cases, the society that uses shaming may attempt to translate losses emanating from shame into monetary terms since that may be perceived by the society that uses shame as the only effective way of communicating across cultures. A lot may be lost in such translation and a society that uses shaming as a tool may not achieve the purpose of achieving communication with another that does not; and in resorting to financial damages to attempt that, may in fact actually destroy the possibility of better communication in the future.

The South Korean Case: Shin-gate

Dongguk University, a famous 103-year-old Buddhist university, has been in the news recently. In 2008, Dongguk filed a $50 million lawsuit against Yale University for "reckless" and "wanton" conduct and for defaming and publicly humiliating and shaming Donggkuk in the eyes of the Korean public, thus costing the university millions in contributions (*The New York Times*, October 30, 2009). The incident that led to the lawsuit has become infamous in Korea as "Shin-gate."

In 2005, Dongguk hired an art professor, and an apparent graduate of Yale, called Shin Jeong-ah. Controversies over her credentials soon arose, and Dongguk requested verification of her credentials from Yale. Yale failed to check its documentation carefully despite this request, and confirmed that the degree from

Yale was valid (even though the Yale administrator's name was misspelled in Ms. Shin's document). Rumors, however, persisted and Donggkuk pressed the matter again with Yale in 2007. This time, Yale rectified its mistake and announced that Ms. Shin had no degree from Yale and that her documentation was false. Yale, however, denied that it had ever received any prior requests from Donggkuk.

The American Case: Goldman Sachs, Bernie Madoff, and Bear and Stearns

If one considers the losses that have occurred due to a loss of reputation in the case of Donggkuk University and compare that with the fact that Goldman Sachs just handed out multi-million dollar bonuses to its employees after receiving financial assistance from the U.S. government, then it becomes abundantly clear that shame is not a powerful sorting mechanism in the United States (*The New York Times*, November 5, 2009). In fact, shame has little role in areas such as business in the United States. The scandals of Wall Street have not resulted in any mechanisms being developed to sort people out of Wall Street professions. Instead, the ability to make money and lots of it, without impunity, is seen as a particularly American way of conducting business (*The New York Times*, October 10, 2009).

In the absence of shame, the only option to control such rapacious and socially damaging behavior lies with the courts, as is represented by the Galleon case, the Madoff case, and the Bear and Stearns case. Yet, the only two cases that are going forward, out of the three that have been mentioned, are the cases involving

Bernie Madoff and Galleon investments. Madoff has been convicted and some Galleon executives may meet a similar fate (*The New York Times*, October 31, 2009). While it is conjectural at best, it is possible that shame may follow on the heels of their conviction in the United States.

The Bear and Stearns executives were recently acquitted and cleared of wrongdoing. The courts decided that it was not possible to establish that the executives in this case misled the public knowingly, despite the existence of troubling internal e-mails. As far as shame goes, the Bear and Stearns case is particularly telling. The acquittal absolves the executives of all wrongdoing, and hence responsibility (*The New York Times,* November 11, 2009). If one cannot prove criminality in a court of law, that is clearly establish criminal wrongdoing, it is close to impossible to impose any other forms of sanctions on behavior in businesses in the United States. Now that the Bear and Stearns's executives have been cleared, they can legitimately say that they bear no responsibility for what happened and hence have absolutely no reason to be shamed. Thus, shame becomes a non-issue unless one can at least establish criminality.

Norms, Sanctions, Regulation and the Courts: Different Strokes

The only recourse left in such cases, where shaming is rendered ineffective and ceases to function as a social tool of managing behavior by establishing norms and imposing sanctions, is to use courts and regulations (i.e. use the judicial and legislative systems) and rely on them exclusively to manage bad behaviors. Regulations are considered by most American businesses as being extremely costly, and as the Obama administration attempts to consider how to regulate the economy to prevent another meltdown, the lobbyists of the banking and financial sector have landed in droves on the nation's Capitol. The goal of these lobbyists is to influence members of the U.S. congress so that new regulatory regimes are not adopted, since regulation, which is enforceable in the courts, is a substitute for shame in the United States.

Regulation, however, can be imposed in both lax and stringent ways, thus leaving some room for discretion. Shaming too can be pursued with discretion. However, once regulation is indeed enforced, and lack of compliance is observed, sanctions must typically ensue, and in many cases must be imposed through the legal system. Using shame does not necessarily trigger sanctions since it is not administered by a system as formal as courts but a broad jury such as society, thus allowing for correction and recovery from lapses. Relying on a practice of shaming and without the necessity of a regulatory-legal framework for weeding out all bad business practice, it can be far less costly to regulate a society, impose sanctions, and articulate and reinforce norms.

Shame May Be A Cheaper Alternative, But May Cost Yale Dearly

It is understandable that countries and societies that are less affluent may use shame from a purely rational cost-effective point of view as a substitute for costly regulation. In dealing with other cultures and societies, institutions in the United States. should be cognizant of both the function and importance of shame as a powerful regulatory mechanism. If institutions in the United States, such as Yale, fail to understand the importance of shaming in a country such as South Korea, it is very likely that they have displayed a poor understanding of South Korea's institutions not just its cultural practices. One can and does continually misunderstand cultural practices in cross-cultural exchange, creating great possibilities of embarrassment, but disrespect for institutions of another culture is a far more egregious offense. It seems that in the case of Shin-gate, Yale may have done exactly that. The lawsuit against Yale reflects South Korean dissatisfaction and frustration of Yale, and Donggkuk's inability to communicate to Yale that an institution's shame in South Korea is a powerful sanction, and one that involves significant damages both in terms of lost social trust as well as financial damage. It is Donggkuk's inability to convey and Yale's unwillingness to accept that loss of reputation as a powerful blow, that has landed them in the courts. If Yale had accepted that shaming has occurred in the case, and that it is a powerful regulatory tool in the case of South Korea it would have displayed an understanding of this culture and a particular practice. In this particular case, Yale's inattention and negligence has led to severe sanctions for Donggkuk, since Donggkuk has broken a powerful norm despite the fact that it tried its best to not do so by getting help from the only party in this conflict who could have helped, namely Yale.

Yale was ultimately responsible in this incident, since it was the only party in this dispute who had access to the information that could have prevented further damage when Donggkuk first enquired. Institutions are important, and while shame has almost no function in the United States as a regulatory mechanism, it is important to not ignore its power in other cultures a one pursues business with them.

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